



# Gazprom Group's Sustainability Report 2016







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# Key Facts about Gazprom

<b>Global leader in natural gas reserves — around 17%</b>	<b>Global leader in natural gas production — around 11%</b>	<b>66% of Russia’s total natural gas output</b>
<b>Operator of Russia’s Unified Gas Supply System (UGSS)</b>	<b>Owner of the world’s largest network of high-pressure natural gas trunk pipelines</b>	<b>Owner of the world’s largest underground natural gas storage capacity</b>
<b>World’s largest natural gas exporter</b>	<b>Key natural gas supplier in Russia and the FSU</b>	<b>Russia’s only producer and exporter of liquefied natural gas (LNG)</b>



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**11%  
of Russia's  
total  
crude oil  
and condensate  
output**

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**18%  
of domestic  
oil refining  
and stable  
gas condensate  
processing**

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**15%  
of domestic  
electricity  
generation**

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**First  
among local peers  
to commence  
underwater  
gas extraction**

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**Processes  
half of domestic  
natural and  
associated gas  
output**

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**Largest  
domestic  
producer  
of heat energy**

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**Pioneer  
in the  
development  
of Russia's  
Arctic offshore  
resources**

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**Best Russian energy company in terms  
of corporate climate reporting  
and greenhouse gas reduction strategy  
rated on CDP's top global climate  
ranking**



# Message from CEO

Dear stakeholders,

Gazprom continues on a sustainable growth path. The year 2016 was marked by increased production of gas and liquid hydrocarbons, as well as by growing levels of electricity and heat generation. We commissioned major production facilities that are critical to securing reliable energy supplies to consumers both within and outside Russia for many decades ahead.

Gazprom is committed to sustainable development, which is embedded into our business agenda. We are confident that long-term business growth is inseparably linked to the balanced use of natural resources and corporate social responsibility.

One of our key socially significant initiatives is a large-scale program aimed at improving access to gas supply across Russia. Between 2005 and 2016, Gazprom built over 28,000 km of pipeline to supply gas to 815,000 homes and apartments and to over 5,000 boiler stations. The share of the population with access to gas supply

in Russia has risen from 53.3% to 67.2%. Better access to gas supply means an improved quality of life for our citizens and wider opportunities for social and economic development in the Russian regions.

With a view to maximizing the efficient use of natural gas, which is known to be the most economic and environmentally friendly source of energy, we continue to expand its use as a vehicle fuel. With 35 filling stations added in 2016 alone, Gazprom has increased its chain of CNG filling stations across 21 Russian regions to 254. The use of natural gas as a vehicle fuel significantly helps to reduce air pollution and protect the environment in populated areas.

Gazprom takes a holistic approach to environmental protection. We have built a vertically integrated Environmental Management System (EMS) and have our own Environmental Inspectorate that has no equivalent in Russia. We are also introducing modern energy saving technologies. With all these efforts, we are making steady

progress towards reducing the internal consumption of natural gas and other resources and mitigating our environmental footprint, while at the same time building upon our production capabilities. Between 2011 and 2016, Gazprom reduced its energy consumption by 15.2 million tonnes of coal equivalent and cut greenhouse gas emissions at its production facilities by 24%.

Occupational safety is a fundamental part of our business. Across our group, we employ over 467,000 people whose health and safety is an absolute priority for us as an employer. The number of occupational accidents in 2016 was the lowest since 2000. Our goal is to achieve zero accidents.

Dear stakeholders,

Gazprom is an integrated energy corporation with a strong technology base that works seamlessly to the benefit of local communities and in harmony with the environment. We constantly strive to improve our performance and move steadily towards the set goals.



Alexey Miller  
Gazprom CEO



# About the Report

The Gazprom Group (“Gazprom” or the “Group”) is a vertically integrated global energy company focused on the exploration, production, transportation, storage, processing, and marketing of gas, condensate, crude oil and refined products, as well as generation and sales of electricity and heat. The Group’s parent company is Gazprom PJSC (the “Company”).

The perimeter for this Report encompasses the Gazprom Group companies, which were consolidated in accordance with IFRS principles (IFRS 10 — Consolidated Financial Statements), unless otherwise stated.

The Report provides a comprehensive overview of the Group’s economic, social, and environmental performance, focusing particularly on occupational health and safety, as 2016 was declared the Year of Occupational Safety at Gazprom.

The Gazprom Group’s 2016 Sustainability Report (the “Report”) is the fifth in a series of similar publications prepared by the Company (the previous report, for 2014–15, was released in January 2017). Beginning in 2016, Gazprom decided to move from a biennial to an annual reporting cycle in order to improve the transparency and relevance of the information reported. This Report is the first publication after transition to the new reporting cycle.

The Report covers the Group’s sustainability activities for the period from 1 January 2016 through 31 December 2016. For the purpose of comparison, most of the key indicators are presented for a five-year period from 2012 to 2016.

Some performance indicators used in this Report apply to the entire Group, as defined in Gazprom PJSC’s 2016 IFRS consolidated financial statements, and may therefore differ from similar metrics appearing in Gazprom PJSC’s statutory reports prepared under Russian law.

The Report also contains forecasts and estimates, which reflect the Group’s expectations regarding future events. Due to the effect of various objective factors, actual results may differ from these forecasts and estimates.

Numbers presented throughout this document may not add up precisely due to rounding.

This Report is prepared in the Russian and English languages.

Electronic versions of this and previous years’ reports are available online at [www.gazprom.ru](http://www.gazprom.ru).

This Report was prepared in accordance with the GRI Sustainability Reporting Guidelines, Core option.

To prepare this Report, we formed a dedicated team that worked closely with

responsible departments across the Group to gather and consolidate the required information, which was then reconciled internally, including during the final approval process. Gazprom’s existing data collection and accounting systems, together with its internal control procedures, ensure the accuracy of reported data.

The content of the Report was defined based on an assessment of material topics with input from various stakeholders to make sure it provides a comprehensive view of the Group’s sustainable development activities. The assessment was performed taking into account stakeholders’ disclosure requirements and the Group’s interests, which were determined by direct consultation with the external stakeholders of various Group divisions and the analysis of information published in the local and foreign press. Materiality was assessed based on two criteria, namely the importance of an issue to both internal and external stakeholders. The Report was compiled taking into account the available information about stakeholders’ expectations.

The assessment of material issues to be disclosed in the Report consisted of three main steps:

- identification;
- prioritization;
- validation.

## 1 Identification

Identification of material issues for the Gazprom Group

- Consider the list of GRI aspects and sector-specific aspects
- Analyze publicly available information and similar reports prepared by peers
- Analyze events material to the wider industry
- Analyze the internal regulations of Group companies and stakeholder engagement materials

Preliminary list of material topics

- Economic category: economic performance, expansion into new markets, consumer relations
- Social category: labor relations, engagement with local communities, charity and sponsorship
- Environmental category: resource efficiency, reduction in pollution, production optimization, research

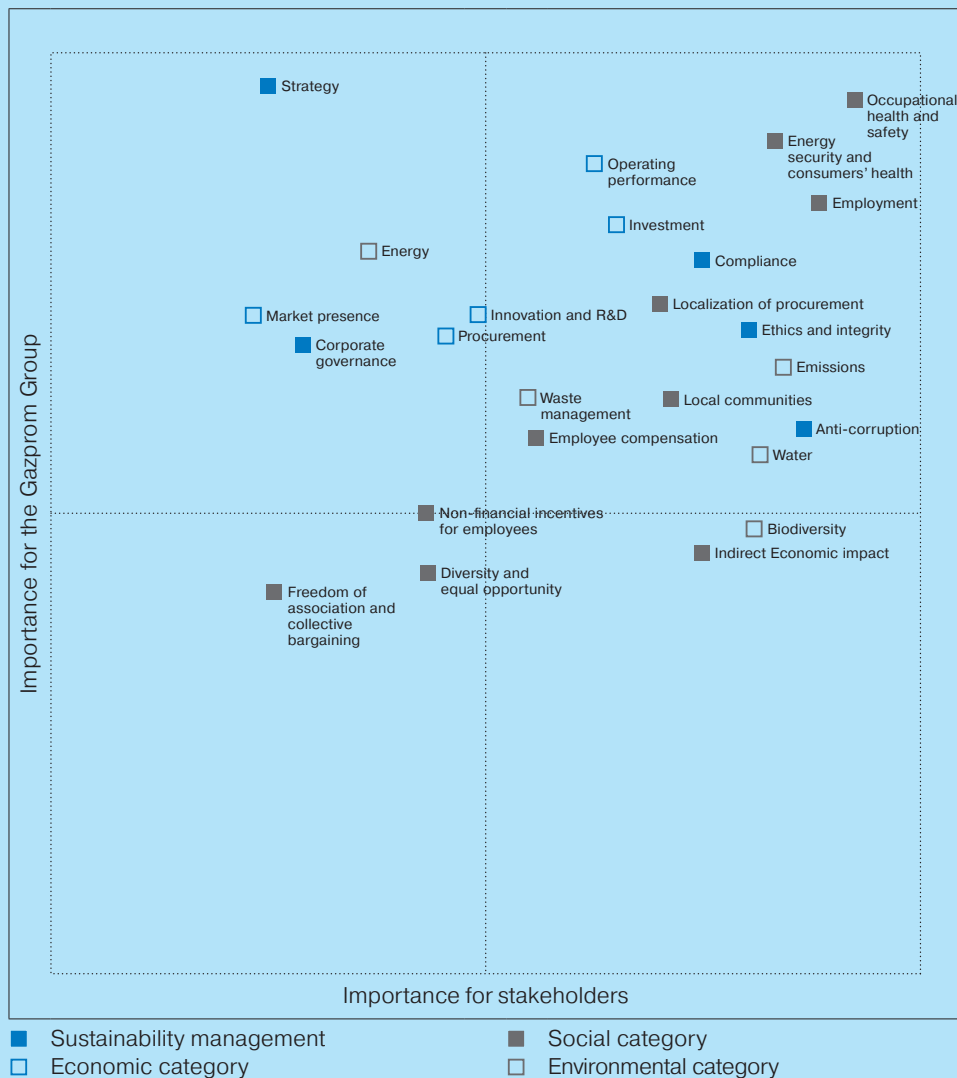
## 2 Prioritization

- Consider the opinion of internal stakeholders (management of Group companies)
- Consider the opinion of external stakeholders shared during roundtable discussions, site visits and meetings with stakeholder representatives
- Consider the specific nature of the Group's operations in the reporting period (the Year of Occupational Safety)

## 3 Validation

- Discuss and approve, within the Report team, the list of material topics

### Gazprom Group Materiality Matrix for Key Sustainability Aspects



Material topics disclosed in the Gazprom Group’s 2016 Sustainability Report

Category	Topics	Section
Sustainability management	<div><div>— Strategy</div><div>— Corporate governance</div><div>— Compliance</div><div>— Ethics and integrity</div><div>— Anti-corruption practices</div></div>	Group Information → P. 14
Economic category	<div><div>— Market presence</div><div>— Innovations and R&amp;D</div><div>— Investments</div><div>— Operating performance</div><div>— Supplier relations</div></div>	1. Gazprom is a Responsible Energy Supplier → P. 32 3. Gazprom is Responsible for Health and Safety → P. 74
Social category	<div><div>— Indirect economic impacts</div><div>— Freedom of association and collective bargaining</div><div>— Diversity and equal opportunities</div><div>— Employee compensation</div><div>— Local communities</div><div>— Localization of procurement</div><div>— Occupational health and safety</div><div>— Energy security and consumers’ health</div><div>— Employment</div><div>— Non-financial incentives for employees</div></div>	2. Gazprom is a Responsible Employer → P. 58 3. Gazprom is Responsible for Health and Safety → P. 74 4. Gazprom is Responsible for Local Communities → P. 86
Environmental category	<div><div>— Water</div><div>— Emissions</div><div>— Waste management</div><div>— Biodiversity</div><div>— Energy</div></div>	5. Gazprom is a Responsible Natural Resource User → P. 100

The Gazprom Group is keen to maintain a meaningful discussion on sustainability issues with all stakeholders. Your feedback will be much appreciated. For details, please refer to the Contacts and Feedback section of this Report.  
→ P. 150



# Stakeholder Engagement

<p>Gazprom is committed to transparency and openness to dialogue with stakeholders. Gazprom PJSC departments and Group companies systematically identify and engage stakeholder groups. Key stakeholder groups are identified within their respective domain by analyzing potential commitments and impact of the Group's operations and taking into account the nature and scope of the relevant business. Relations with stakeholders are managed in line with their expectations and interests. The Group plans and</p>	<p>conducts its activities taking into account the opinion of its stakeholders. To improve its sustainability management, Gazprom regularly communicates with stakeholders, drawing on its extensive experience in dealing with various stakeholder groups, both internal and external.</p> <p>Gazprom engaged actively with all stakeholder groups in 2016. Group companies use a number of communication channels that are tuned to a given region or industry and the nature of the stakeholder's business.</p>	<p>One such channel is designed for the ongoing management of inquiries from external stakeholders. All incoming complaints and requests are registered and tracked in a corporate document management system, which is also used to directly manage the Company's activities. Some Group companies have set up special whistleblowing hotlines that register and process any calls from local residents, even from anonymous hotline users.</p>
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## Stakeholder engagement principles

<p>Materiality</p> <p>Gazprom engages with all stakeholders that significantly affect or are significantly affected by the Group.</p>	<p>Involvement</p> <p>In doing its business, Gazprom considers the opinion of key stakeholders and takes into account their interests.</p>	<p>Response</p> <p>The Group is building a response framework to address any material issues raised by stakeholders.</p>
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Sustainability management system at the Gazprom Group

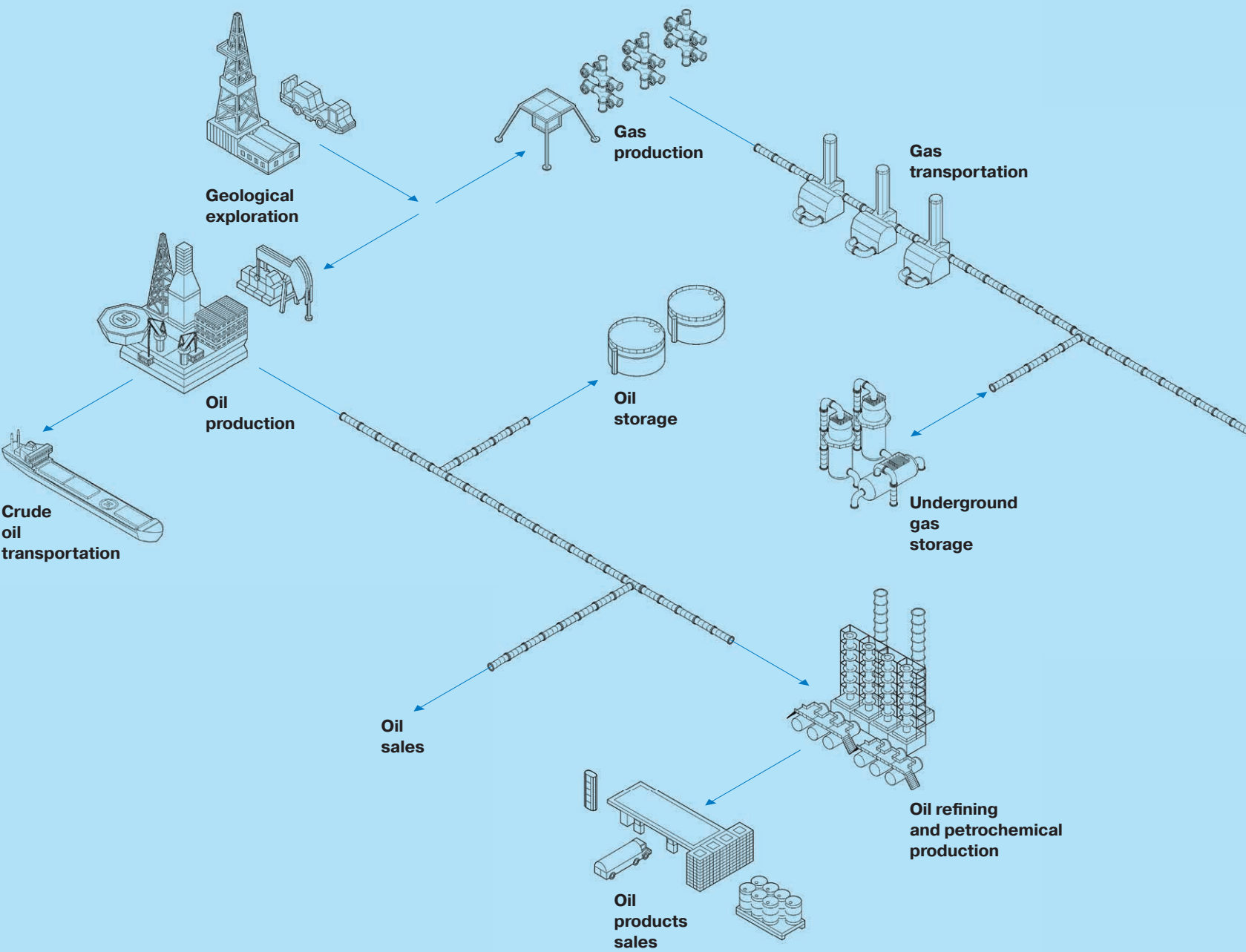
Stakeholder group	Corporate unit / body responsible for engagement
Shareholders and investors	<div>— Coordinating Committee for Shareholder and Investor Relations</div> <div>— Shareholder Relations Department</div> <div>— Investor Relations Department</div> <div>— Corporate Secretary</div>
Business partners	<div>— Relevant units of Gazprom PJSC</div> <div>— Relevant units of subsidiaries</div>
Employees	<div>— Human Resources Department</div>
Government and municipal authorities of the Russian Federation	<div>— Regional Policy Commission</div> <div>— Government Relations Department</div>
Local communities	<div>— Environmental departments of subsidiaries</div> <div>— PR departments of subsidiaries</div> <div>— Regional Policy Commission</div>
Regulators of EU countries and other market participants	<div>— International Business Department</div> <div>— Prospective Development Department</div>
Non-governmental agencies	<div>— Environmental departments of subsidiaries</div> <div>— PR departments of subsidiaries</div> <div>— Social services and units</div>
Mass media	<div>— Information and Communications Department</div>

Engagement mechanism	Report sections containing detailed information
<ul style="list-style-type: none"> <li>— Implementation of the Shareholder and Investor Relations Plan</li> <li>— Meetings and teleconferences</li> <li>— Information disclosure</li> <li>— Responses to inquiries</li> </ul>	Group Information / Corporate governance → P. 26 1. Gazprom is a Responsible Energy Supplier → P. 32
<ul style="list-style-type: none"> <li>— Contractual relations</li> <li>— Cooperation agreements</li> <li>— Conferences</li> <li>— Summits</li> <li>— Industry associations</li> </ul>	1. Gazprom is a Responsible Energy Supplier → P. 32
<ul style="list-style-type: none"> <li>— Internal communications system</li> <li>— Feedback</li> <li>— Meetings between senior executives and other employees</li> <li>— Employee satisfaction surveys</li> </ul>	2. Gazprom is a Responsible Employer → P. 58 3. Gazprom is Responsible for Health and Safety → P. 74 4. Gazprom is Responsible for Local Communities → P. 86
<ul style="list-style-type: none"> <li>— Agreements with governments of the Russian regions</li> <li>— Presentations on Gazprom Group's activities to heads of government bodies</li> <li>— Cooperation under business contracts, agreements and partnership memoranda</li> </ul>	1. Gazprom is a Responsible Energy Supplier → P. 32 4. Gazprom is Responsible for Local Communities → P. 86
<ul style="list-style-type: none"> <li>— Open public hearings</li> <li>— Information centers</li> <li>— Information disclosure</li> <li>— Charity and sponsorship projects</li> <li>— Environmental education</li> <li>— Surveys within the Group and in regions of its presence</li> </ul>	2. Gazprom is a Responsible Employer → P. 58 4. Gazprom is Responsible for Local Communities → P. 86 5. Gazprom is a Responsible Natural Resource User → P. 100
<ul style="list-style-type: none"> <li>— International energy conferences and participation in the work of international organizations</li> <li>— Participation in the development of roadmaps</li> <li>— Preparation of regulatory documents on the energy sector</li> </ul>	1. Gazprom is a Responsible Energy Supplier → P. 32
<ul style="list-style-type: none"> <li>— Joint programs and research projects</li> <li>— Open public hearings</li> <li>— Information disclosure</li> <li>— Membership in public and expert associations</li> </ul>	4. Gazprom is Responsible for Local Communities → P. 86 5. Gazprom is a Responsible Natural Resource User → P. 100
<ul style="list-style-type: none"> <li>— Press conferences</li> <li>— Press tours and site visits</li> <li>— Senior executive meetings with the media</li> <li>— Press releases</li> </ul>	1. Gazprom is a Responsible Energy Supplier → P. 32

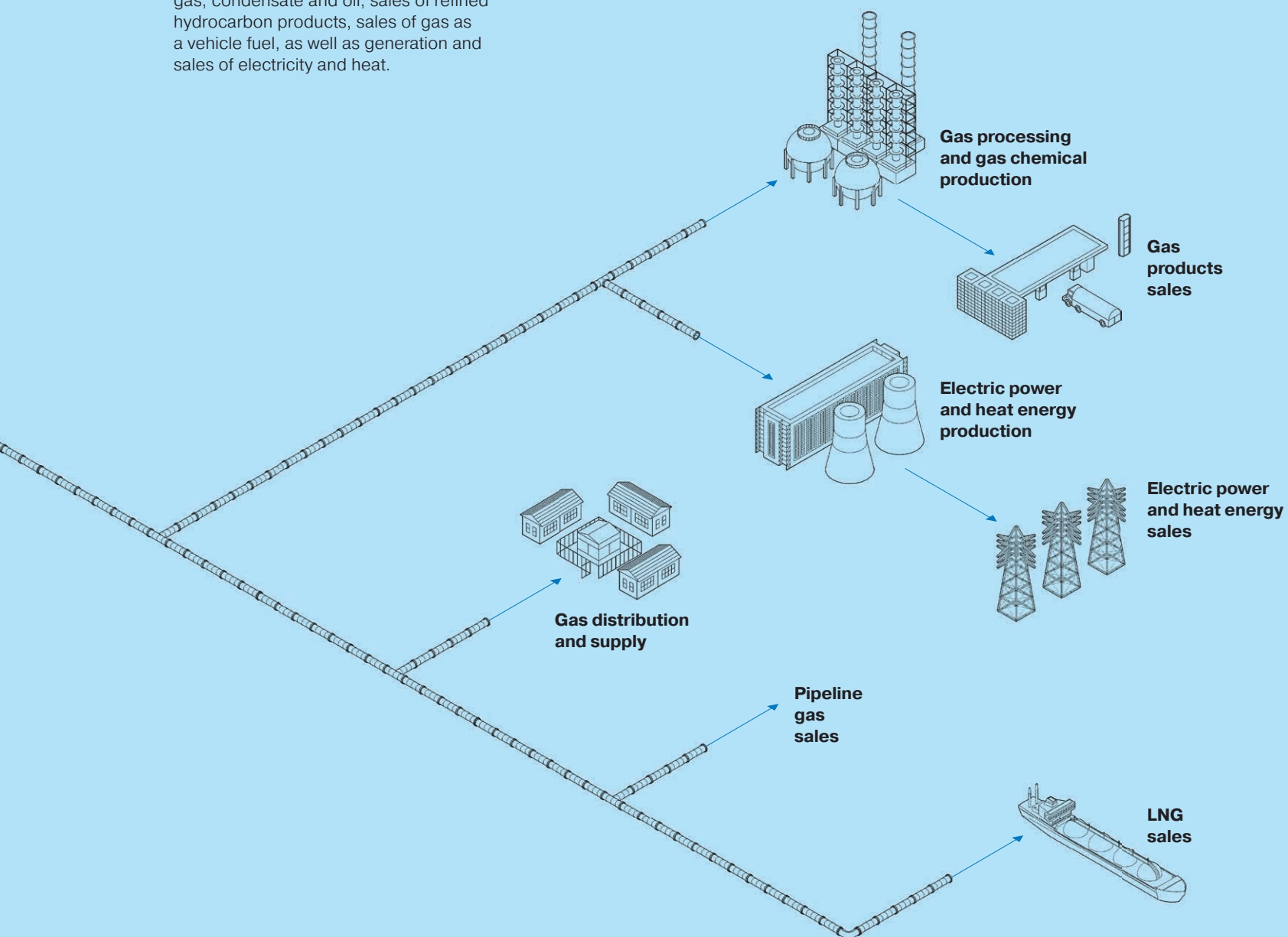


# Group Information

## Business Model

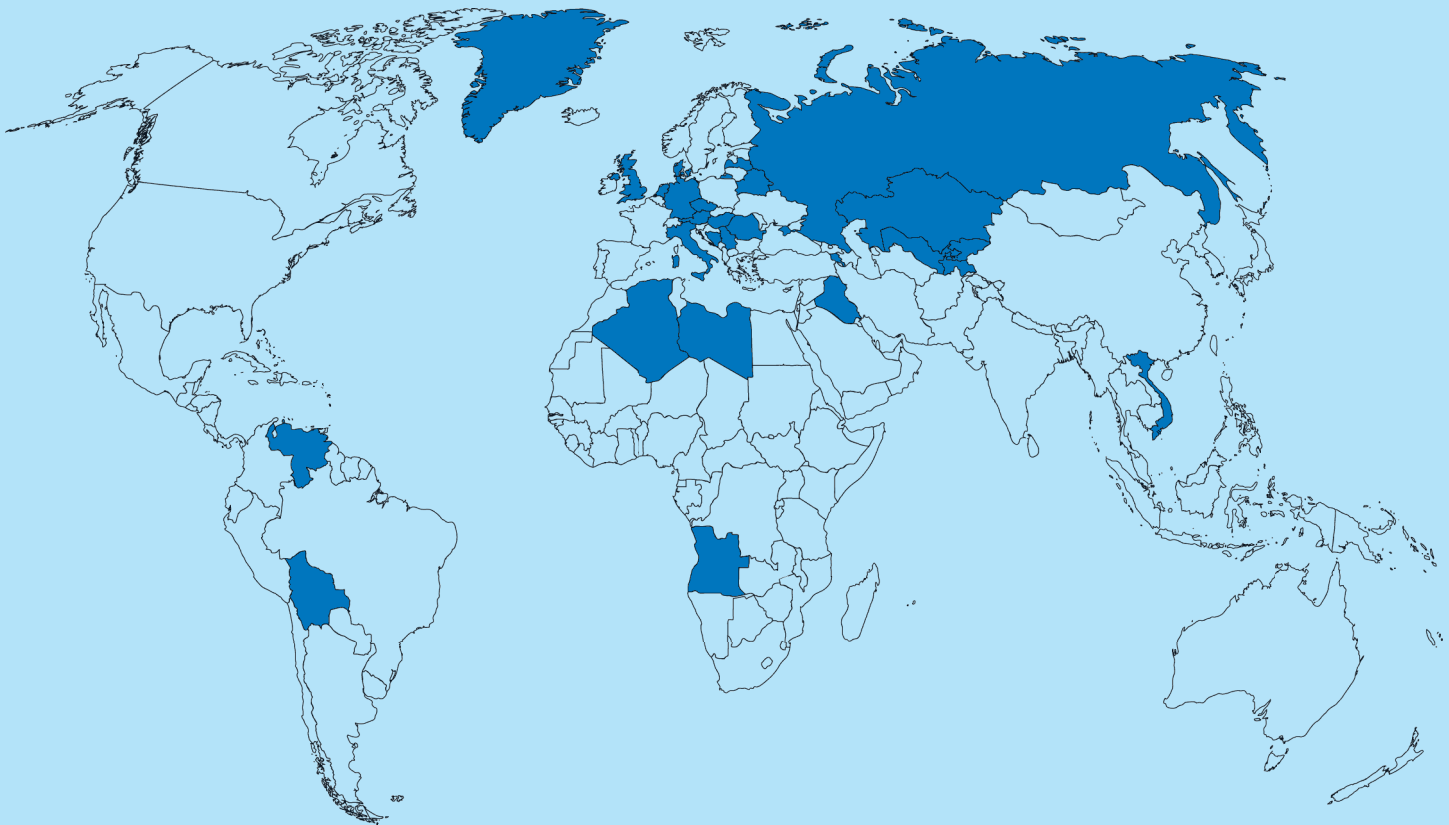


Gazprom's principal activities are the exploration, production, transportation, storage, processing and marketing of gas, condensate and oil, sales of refined hydrocarbon products, sales of gas as a vehicle fuel, as well as generation and sales of electricity and heat.



# Geography of Business

## ■ Gazprom Group's operating geography









Countries	Operations										Marketing							
	Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations	
Macedonia	-	-	-	-	-	-	-	-	-	-	■	■	-	-	■	-	-	
Malta	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Montenegro	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Netherlands	■	■	-	-	-	-	-	-	-	-	■	■	■	-	■	■	-	
Norway	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	■	-	
Poland	-	-	-	-	-	-	-	-	-	-	■	■	-	■	-	-	■	
Portugal	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-	
Romania	■	-	-	-	-	-	■	-	-	-	■	■	■	-	■	-	■	
Serbia	■	■	■	-	■	-	-	■	■	-	■	■	■	-	-	-	■	
Slovakia	-	-	-	-	-	-	-	-	-	-	■	■	-	-	■	-	-	
Slovenia	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-	-	
Spain	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-	
Sweden	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-	
Switzerland	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-	-	
Turkey	-	-	-	-	-	-	-	-	-	-	■	■	■	-	-	-	-	
United Kingdom	■	■	-	-	-	-	-	-	-	-	■	■	■	-	■	■	-	
Africa	■	■	■	-	-	-	-	-	-	-	-	■	-	■	-	-	-	
Algeria	■	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Angola	-	-	■	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Benin	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Cameroon	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Côte d'Ivoire	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
DRC	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Egypt	-	-	-	-	-	-	-	-	-	-	-	■	-	■	-	-	-	
Equatorial Guinea	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Ethiopia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Ghana	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Guinea	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Libya	■	■	■	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mauritania	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Mauritius	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Morocco	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	
Nigeria	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-	

## Group Information

Countries	Operations										Marketing						
	Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations
Senegal	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Seychelles	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
South Africa	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Sudan	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Tanzania	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Togo	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Uganda	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Middle East	■	-	■	-	-	-	-	-	-	-	-	■	-	■	-	-	-
Afghanistan	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Iraq	■	-	■	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Israel	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Jordan	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-
Lebanon	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Syria	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
UAE	-	-	-	-	-	-	-	-	-	-	-	■	-	■	-	-	-
Yemen	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Asia-Pacific	■	■	-	-	-	-	-	-	-	-	■	■	■	■	-	-	-
Australia	-	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-
Bangladesh	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Cambodia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	■	■	■	-	-	-
India	-	-	-	-	-	-	-	-	-	-	-	■	-	■	-	-	-
Indonesia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-	-	-	■	■	■	-	-	-
Malaysia	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-
Myanmar	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Papua New Guinea	-	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-
Philippines	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-
Singapore	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-
South Korea	-	-	-	-	-	-	-	-	-	-	-	■	■	■	-	-	-

Countries	Operations										Marketing						
	Hydrocarbons prospecting and exploration	Gas and gas condensate production	Oil production	Gas transportation	Gas underground storage	Gas distribution	Gas processing	Oil refining	Production of electricity and heat	Oil and gas chemical production	Trunk pipeline gas sales	Sales of refined hydrocarbon products	Oil and gas condensate sales	LNG sales	Gas sales to end consumers	Electricity and heat sales	Product sales through the gasoline, CNG filling, gas filling and multi-fuel filling stations
Taiwan (China)	-	-	-	-	-	-	-	-	-	-	-	■	-	■	-	-	-
Thailand	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-
Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Vietnam	■	■	-	-	-	-	-	-	-	-	■	■	■	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	■	■	■	-	-	-
Canada	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-	-	-	■	-	■	-	-	-
United States	-	-	-	-	-	-	-	-	-	-	-	■	■	-	-	-	-
Central and South America	■	■	■	-	-	-	-	-	-	-	-	■	■	■	-	-	-
Argentina	-	-	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-
Bolivia	■	■	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Chile	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Colombia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Costa Rica	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Ecuador	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
El Salvador	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Guyana	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Nicaragua	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Panama	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Paraguay	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Peru	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Uruguay	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Venezuela	■	-	■	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Bahamas	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Dominican Republic	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Jamaica	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Maldives	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-
Mongolia	-	-	-	-	-	-	-	-	-	-	-	■	-	-	-	-	-



## Key Performance Indicators

### Gazprom Group key operating indicators

Indicator	2012	2013	2014	2015	2016
PRMS hydrocarbon reserves*					
Proved and probable natural gas reserves, bcm	23,387.1	23,264.5	23,510.7	23,705.0	23,855.1
Proved and probable gas condensate reserves, mmt	808.7	832.4	848.6	933.3	1,018.9
Proved and probable oil reserves, mmt	1,408.3	1,407.2	1,374.4	1,355.4	1,378.7
Total proved and probable hydrocarbon reserves, bcm boe**	168,720.3	168,110.4	169,600.3	171,415.0	173,260.1
Operating indicators					
Natural and associated gas production, bcm*	488.0	488.4	444.9	419.5	420.1
Oil production, mmt*	42.3	42.4	43.5	44.0	47.2
Unstable gas condensate production, mmt*	12.9	14.7	14.5	15.3	15.9
Total hydrocarbon production, mboe*,**	3,581.9	3,600.4	3,325.0	3,171.0	3,201.9
Natural and associated gas processing, bcm	32.5	31.5	30.5	31.2	31.0
Oil refining and gas condensate processing, mmt	61.5	66.1	68.0	66.8	65.9
Electricity generation, billion kWh	168.1	162.5	155.4	148.0	157.6
Heat generation, million Gcal	102.5	112.5	125.2	117.1	125.6
Hydrocarbon sales					
Natural gas sales, bcm	482.4	477.0	441.5	445.9	476.4
Russia	265.3	243.3	234.0	221.2	214.9
Non-FSU countries***	151.0	174.3	159.4	184.4	228.3
FSU countries***	66.1	59.4	48.1	40.3	33.2
Oil and gas condensate sales, mmt****	20.8	16.0	15.7	17.0	24.7
Russia	3.5	2.6	4.7	5.3	5.9
Non-FSU countries	14.8	9.2	9.8	9.8	17.1
FSU countries	2.5	4.2	1.2	1.9	1.7

\* Including the Group's share in the reserves and production of entities in which Gazprom has investments classified as joint operations.

\*\* For management accounting purposes, the Gazprom Group measures hydrocarbon reserves and production in metric units. In this Report, gas, oil and gas condensate reserves and production figures are converted from metric units to barrels of oil equivalent at a ratio of 1,000 cubic meters to 6.49 barrels of oil equivalent, 1 tonne of oil to 7.33 barrels of oil equivalent, and 1 tonne of gas condensate to 8.18 barrels of oil equivalent.

\*\*\* Sales in the FSU, Europe and other countries include both exports of natural gas from Russia and sales of natural gas purchased by the Group outside Russia.

\*\*\*\* Excluding intra-group sales.

### Gazprom Group key financial indicators

Indicator	2012	2013	2014	2015	2016
Gazprom PJSC's market capitalization at the year-end, RUB trillion	3.42	3.29	3.11	3.23	3.64
Revenue from sales, RUB million	4,766,495	5,249,965	5,589,811	6,073,318	6,111,051
Operating profit, RUB million	1,350,677	1,587,209	1,310,424	1,228,301	725,580
Profit for the year under IFRS, RUB million	1,252,415	1,165,705	157,192	805,199	997,104
Adjusted EBITDA, RUB million	1,645,921	2,009,475	1,962,558	1,874,726	1,322,199

### Gazprom Group key social indicators

Indicator	2012	2013	2014	2015	2016
Headcount at the year-end, thousand persons	431.2	459.5	459.6	462.4	467.4
Social spending, RUB million	31,736	34,970	46,429	32,485	35,516
Payroll, RUB million	409,807	497,852	516,778	590,981	641,036

### Gazprom Group key health, safety and environmental performance indicators

Indicator	2012	2013	2014	2015	2016
Current environmental expenditures, RUB billion	24.65	31.46	31.66	32.17	34.10
Emissions, thousand tonnes	3,410.9	3,076.4	2,797.6	2,830.6	2,868.5
Greenhouse gas emissions, mmt of CO <sub>2</sub> equivalent	236.4	229.1	228.3	220.0	228.2
Contaminated land at the end of the year, hectares	453.2	562.2	140.2	35.1	4.8
Lost-time injury frequency rate (LTIFR)*	0.328	0.230	0.181	0.175	0.155

\* For companies covered by the Unified Occupational Health and Safety Management System.

The indicator is calculated as follows: the number of lost time injuries / the total hours worked in accounting period × 1,000,000.

# Strategy

**Mission**

To provide a reliable, efficient and balanced supply of natural gas, other energy resources and their derivatives to consumers.

**Strategic goal**

Gazprom PJSC pursues the strategic goal of establishing itself as a leader among global energy companies by expanding into new markets, maintaining reliable supplies, improving performance, and leveraging its R&D capabilities.

In furtherance of Gazprom PJSC’s mission to provide customers with a reliable and continuous supply of natural gas, electricity and heat, Gazprom designs and implements large, unique projects involving the production, transportation and processing of natural gas, develops and introduces innovative technologies, and improves the operating and safety performance of existing production assets in line with sustainability principles.

**Gazprom PJSC’s competitive advantages**

- Extensive resource and asset base
- Owner of Russia’s unique Unified Gas Supply System
- Substantial production, research and design capabilities
- Strategically positioned between Europe and Asia
- Long history of cooperation with foreign partners and reputation as a reliable supplier
- Vertically integrated organizational structure
- Established portfolio of long-term contracts for gas supplies to European and Asian consumers
- Attractive employer for highly skilled professionals
- Access to international capital markets on acceptable terms
- Diversified core business

# Sustainability Management

## Gazprom's sustainability agenda

### Economic performance

- Grow shareholder value
- Maintain Russia's energy security
- Meet the existing obligations
- Provide economic and environmentally friendly energy supplies
- Maintain occupational health and safety
- Improve exploration success
- Strive for innovation

### Environmental performance

- Protect the environment
- Maintain balanced operations to meet present and future production targets, while taking care of the environment for future generations

### Social performance

- Meet the existing social obligations
- Contribute to social and economic development of local communities through infrastructure development and sponsorship initiatives
- Adopt responsible labor practices and continuously monitor workspace health and safety

The management and departments of Gazprom PJSC and Group companies establish and implement various initiatives in sustainable development areas within the scope of their competence and in accordance with legislation and internal regulations.

The Company has adopted policy documents to outline how the Group will achieve its sustainability targets.

A system of balanced strategic target indicators (STI) is a key long-term planning tool. These indicators embrace all areas of the Company's business and serve as reliable metrics to measure progress towards the set strategic objectives. Their composition has been established taking into account the nature and outlook of the Company's business and its current operating environment.

Gazprom PJSC's strategic planning framework employs a two-tier STI system.

Tier 1 STIs are set by the Company's Board of Directors for the end of a ten-year period and provide a basis for a Long-Term Development Program, which is reviewed annually. The Long-Term Development Program serves as a key point for reference in planning investment, financing and operating activities for the mid and short term (three years and 12 months, respectively) as well as in establishing performance benchmarks for the next budgeting period.

The purpose of the Long-Term Development Program is to provide an integrated plan focused on achieving balanced and steady growth, meeting the set STIs, and maximizing the systemic economic effect

based on the analysis of risks and opportunities.

Tier 2 STIs flesh out Tier 1 STIs for specific lines of business and operations, providing more details on the set targets across production, marketing, finance, internal corporate processes, innovations, and HR management.

While the STI-based long-term planning framework is currently applicable to the gas business only, Gazprom takes active steps to roll it out in its foreign operations as well as in its oil production and electricity generation businesses. Wider use of the STI-based long-term planning framework should ultimately help to improve the Group's overall performance.

## Corporate Governance

An effective corporate governance framework is critical to maintaining sustainable development. Gazprom PJSC has adopted a governance framework aligned with generally accepted international standards to ensure that its shareholders and other stakeholders can exercise their rights.

The Company respects shareholder rights and regulates the activities of its governance bodies in accordance with the principles outlined in Russian law. Its governance practices are primarily aimed at enabling shareholders to exercise their rights in practice. Equitable treatment of different shareholders and adequate protection of interests of all shareholders, irrespective of the size of their holdings, are the core principles embedded in Gazprom PJSC's key internal documents.

The top priorities of corporate governance are observing the rights and lawful interests of shareholders and investors, promoting openness and transparency, supporting effective operations, and maintaining financial stability and profitability.

Gazprom's key governance principles are enshrined in the Code of Corporate Governance (Conduct), approved by

Gazprom PJSC's annual General Shareholders' Meeting on 28 June 2002 (as revised on 30 June 2017).

The General Shareholders' Meeting, the Board of Directors, the Management Committee, the Chairman of the Management Committee, and the Audit Commission are the key pillars of Gazprom PJSC's corporate governance structure. The Department of the Management Committee Administration, which is responsible for internal audit, provides an objective assessment of the existing internal controls and makes recommendations for their improvement. The Company's financial and business performance is independently reviewed by an external auditor.

The Company's Board of Directors is composed so that it is able to effectively deliver on its mandate in the interests of all shareholders and Gazprom PJSC in general. The present Board of Directors consists of 11 members (including three independent directors) who were elected from candidates proposed by shareholders at the annual General Shareholders' Meeting on 30 June 2016.

The Board of Directors has two committees — the Audit Committee and the Nomina-

tion and Remuneration Committee — which are tasked with performing the preliminary review of important matters falling within its mandate. The terms of reference for the Nomination and Remuneration Committee were approved by a resolution of the Board of Directors of 30 September 2016.

The Board of Directors decided to introduce the position of Corporate Secretary in 2016. The duties and responsibilities of the Corporate Secretary are shared by several business units of Gazprom PJSC.

At the end of 2016, Moscow Stock Exchange PJSC confirmed in writing that the Company's corporate governance met the listing requirements for its shares to remain in the First Level quotation list.

Gazprom PJSC plans to engage an independent auditor in 2017 to perform a comprehensive audit of its corporate governance practices, covering the performance assessment of the Board of Directors, its committees and members. The Company will continue to improve its local regulatory framework, including by following the Guidance of Good Corporate Governance, approved by the Board of Directors of the Bank of Russia on 21 March 2014.



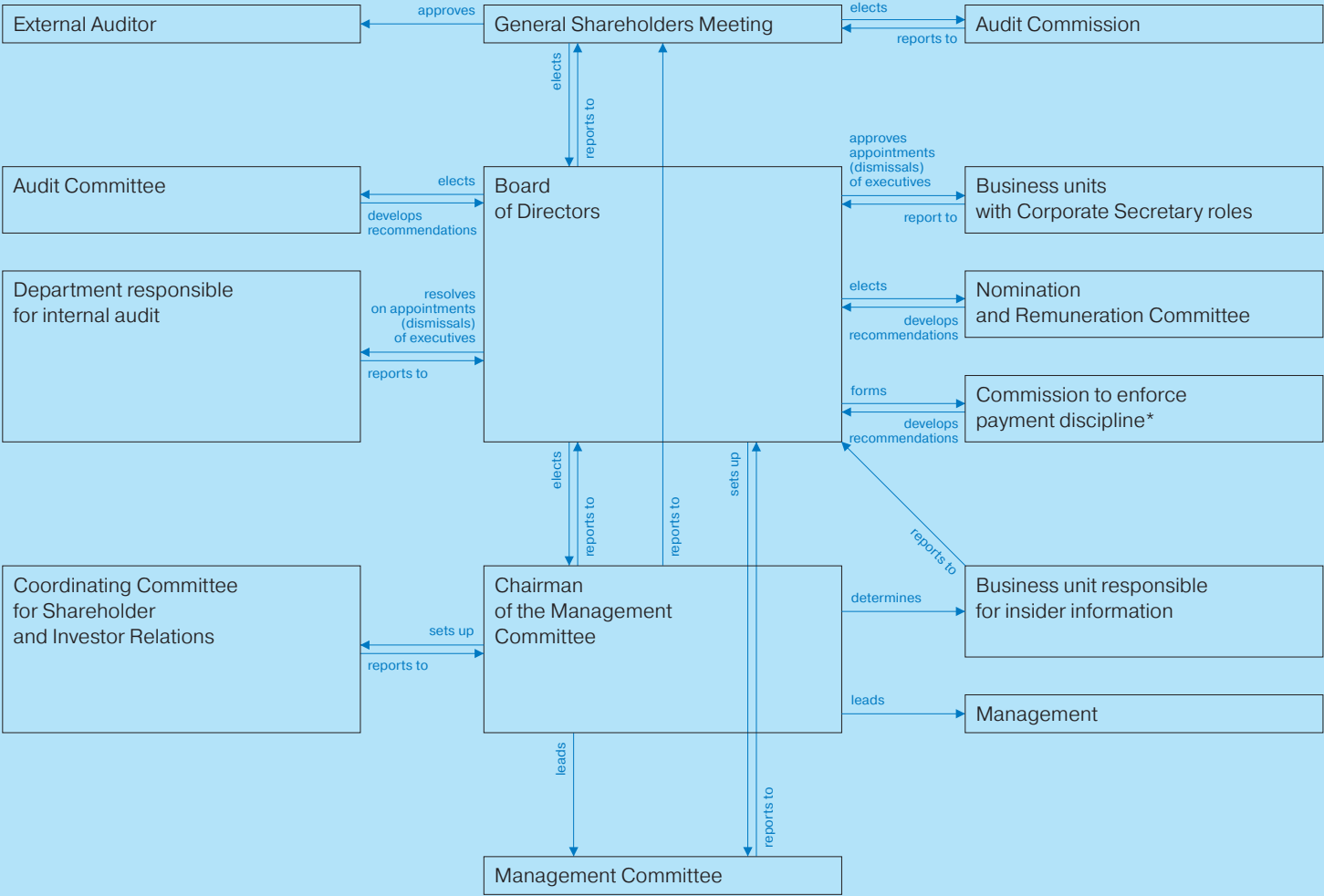
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### **Examples of cooperation**

#### Shareholders and investors

- Annual General Shareholders' Meeting
- Gazprom's Investor Day (held in London and New York in 2016)
- The 15<sup>th</sup> International Investment Forum Sochi-2016
- Quarterly teleconferences to discuss the Group's IFRS consolidated financial statements
- Annual press conferences featuring senior executives in the lead-up to the General Shareholders' Meeting
- Investor conference calls and direct meetings with Gazprom's senior executives and officers
- Quarterly publication of Management Discussion and Analysis of Financial Condition and Results of Operations, an attachment to the Group's IFRS financial statements
- Publication of statistical datasets
- On-site management meetings with analysts and investors at the Group's key production facilities
- Regular participation by management and other officers of Gazprom, Gazprom Neft and Gazprom Energoholding at investment conferences
- Publication of corporate magazines, the Annual Report and financial disclosures (IFRS and Russian statutory financial statements, quarterly reports of a securities issuer, and material facts)

Corporate governance structure of Gazprom PJSC



\* Commission to enforce payment discipline in domestic gas supplies.

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## Internal Control

Gazprom PJSC's internal control is a comprehensive system spanning multiple domains from internal control bodies and methods to rules of conduct and efforts made by employees towards achieving the Company's goals.

Internal control is exercised by Gazprom PJSC's Board of Directors, the Audit Committee of Gazprom PJSC's Board of Directors, Gazprom PJSC's Audit Commission, executive bodies (the Management Committee and Chairman of the Management Committee), heads of business units and other Company employees.

The duties and responsibilities of the Audit Commission are established in accordance with Federal Law No. 208-FZ "On Joint-Stock Companies" of 26 December 1995 and Gazprom PJSC's Charter. The Audit Commission has the following key roles:

- Monitor the fair presentation of Gazprom PJSC's financial statements and other information on the Company's financial and business operations and its assets;
- Supervise the compliance of PJSC Gazprom's accounting and reporting practices with applicable laws and regulations (including the disclosure of financial statements and related documents to government agencies and shareholders);
- Enhance the Company's asset management and other financial and business operations, mitigate financial and operational risks, and improve internal controls.

The Audit Commission has nine members and is elected by the General Shareholders' Meeting. It works in close cooper-

ation with the Audit Committee of the Board of Directors. Following an audit of Gazprom PJSC's financial and business operations, the Audit Commission presents its opinion confirming the fairness of information disclosed in the Company's statements and other financial documents.

The duties related to organizing and conducting internal audits at Gazprom PJSC are assigned to a dedicated division (Department), while Gazprom PJSC's subsidiaries and other Group companies have their own internal audit functions, which are responsible for performing these duties. The Department's key role is to provide Gazprom PJSC's Board of Directors (via the Audit Committee) and management with independent and objective assurance and advice as to the improvement of the Company's performance.

## Anti-Corruption Practices

The Company adheres to core anti-corruption principles, policy frameworks and regulatory procedures aimed at preventing and countering corruption, and minimizing and/or eliminating its effects. To that end, it has adopted and implemented local regulations that are designed to form an attitude averse to corrupt behavior, prevent or resolve conflicts of interest, and preclude bad faith and unlawful acts.

The Company's Code of Ethics establishes key corporate values and related rules of business conduct that prevent conflicts of interest, corruption and nepotism, with relatives directly or indirectly reporting to each other.

The Company set up the Corporate Ethics Commission, comprised of employees from different business units of Gazprom PJSC, to prevent, eliminate or mitigate con-

flicts of interest or their effects. The Ethics Commission monitors the performance of its peers at subsidiaries and collects information on events held by them to meet corporate requirements and restrictions.

Gazprom PJSC made major efforts to improve the existing anti-corruption framework by adopting the Anti-Corruption Policy and anti-corruption amendments to the Regulations on the Internal Control System, which were approved by the Board of Directors in 2016. Based on its Anti-Corruption Policy, PJSC Gazprom will continue the enhancement of its local regulations to expand anti-corruption measures.

The Gazprom Group places a strong emphasis on anti-corruption initiatives in its procurement activities; all suppliers are selected through a competitive bidding pro-

cess, with 4,297 materials supply contracts worth RUB 327.3 billion and 14,216 services contracts worth RUB 464.5 billion awarded in 2016. Competitive bidding generated substantial savings totaling RUB 30.4 billion.

The Gazprom Group carefully selects the lineup of procurement commissions to prevent the award of contracts to affiliates. For example, members of a procurement commission are approved after the relevant background check is completed on them, including founder and/or executive roles in other companies and past employment. Individuals who have a personal interest in the outcome of the bidding process may not be members of the procurement commission. Whenever a personal interest is detected, the member of the procurement commission must withdraw from voting.

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## Risk Management

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Pursuant to its Risk Management Policy, approved by Resolution No. 2619 of Gazprom PJSC's Board of Directors of 30 October 2015, and Regulations on the Gazprom Group's Risk Management System, approved by Resolution No. 2628 of Gazprom PJSC's Board of Directors, Gazprom PJSC selects the relevant risk approach, establishes and develops a risk management system, and conducts risk management activities to provide reasonable assurance that the goals and objectives that have been set by executive bodies will be achieved.

Gazprom PJSC's risk management system is a comprehensive framework comprising a set of interrelated elements, from organizational measures and processes, the organizational structure, local regulations and other internal documents (policies, procedures, methodological guidelines, etc.), and corporate standards to actions taken by management and employees of Gazprom PJSC's business units and subsidiaries. The risk management system is designed to

provide reasonable assurance that the set goals and objectives will be achieved, and to support management and employees of Gazprom PJSC's business units and subsidiaries in their decision-making process under uncertainty.

The parties involved in risk management are the Board of Directors, the Board's Audit Committee, the Management Committee, a dedicated function within the Administration of the Management Committee, as well as business units and entities of the Gazprom Group. Risk owners are Gazprom PJSC's business units, Gazprom Group's entities and employees responsible for the development, implementation and monitoring of risk management activities. There are also risk coordinators responsible for coordinating the activities of risk owners within their respective domain.

Gazprom PJSC's risk management function is administratively accountable to the Deputy Chairman of the Management Committee/Head of the Administration of the

Management Committee, and functionally accountable to the Audit Committee. Its key role is to develop a unified risk management policy and provide the required methodological support to ensure it is consistently applied.

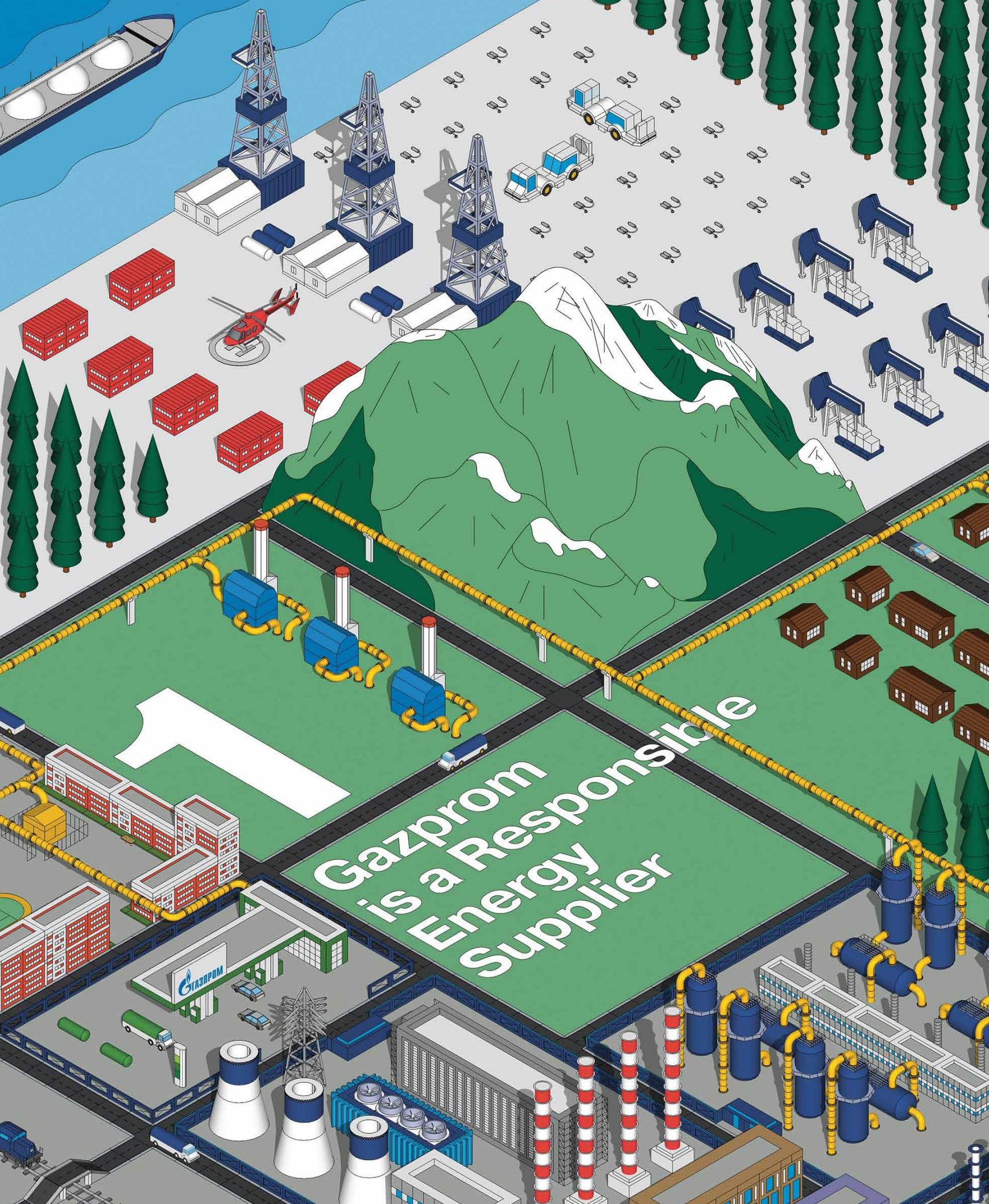
As part of their ongoing activities, Gazprom PJSC's business units and subsidiaries identify, assess and monitor risks, establish and implement risk management measures, and track their progress.

The Company embraces best practices to ensure continuous improvement of its risk management system. It has developed and approved the Risk Management Policy of Gazprom PJSC, the Regulations on Risk Management of Gazprom PJSC and the Regulations on the Credit Risk Management System of Gazprom PJSC and its Subsidiaries (approved by Order No. 687 of Gazprom PJSC of 3 November 2016). Initiatives to prepare and approve risk management documentation are also pursued at the level of subsidiaries.









Gazprom  
is a Responsible  
Energy  
Supplier



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**Gazprom is a global energy supplier that meets its obligations to consumers and partners. By delivering on its strategy Gazprom contributes to shaping the future of the energy sector.**

**Gazprom supplies required energy resources to consumers across all sectors. The Group works hard to provide energy, electricity and heat to people.**

**Gazprom's mission is to serve as a guarantor of Russia's energy security, maintaining sustainable energy supplies to the national economy.**

**Gazprom is a responsible taxpayer and makes a substantial contribution to government revenues and the country's economic growth.**

**Gazprom adheres to legal and ethical principles, and has established itself as a reliable business partner both within and outside Russia.**

**Gazprom operates in compliance with regulatory requirements, professional standards, and financial accountability principles.**

**Gazprom supplies natural gas, an energy source that is set to play a growing role in the global energy mix. Gazprom develops LNG and NGV technologies and helps to bring them to the market.**

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## Examples of cooperation

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### Business partners

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- Signing the 2016–20 Program for Scientific & Technical Cooperation and Partnership between Gazprom PJSC and Austria's OMV AG
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### Government and municipal authorities

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- Moscow International Energy Forum "Russia's Fuel and Energy Sector in the 21<sup>st</sup> Century"
  - The 14<sup>th</sup> International Forum "Gas of Russia"
  - Participation in parliamentary hearings, roundtable discussions and working group meetings at the chambers of the Federal Assembly of the Russian Federation, federal and regional executive power bodies, and non-governmental organizations
- 

### Regulators of EU countries and other market participants

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- Negotiations on the secure and continuous supply and transportation of natural gas, as well as the construction of new cross-border energy infrastructure facilities and their regulation
  - Membership of international industry associations (the International Business Congress, the International Gas Union, the Global Gas Center, the European Natural Gas Vehicle Association, etc.)
  - Participation in economic and energy forums (Gastech, the European Gas Conference, the World Gas Conference, the World Petroleum Congress, the World Energy Congress, the St. Petersburg International Economic Forum, the St. Petersburg International Gas Forum, the Eastern Economic Forum, Russian Energy Week, and the international conference "Energy Dialogue Russia-EU: Gas Aspect")
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### Mass media

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- Official press releases
  - Press conferences and briefing sessions
  - Interviews with Gazprom PJSC senior executives
  - Press tours and site visits to Gazprom PJSC's production and transportation facilities
-

# Energy Supply to the Domestic Market

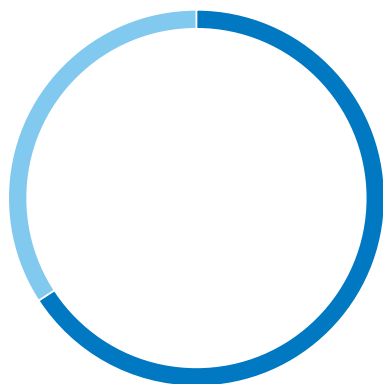
## 1.1.1. Contribution to Russia's Social and Economic Growth

Gazprom contributes significantly to Russia's social and economic growth, focusing on the following key areas:

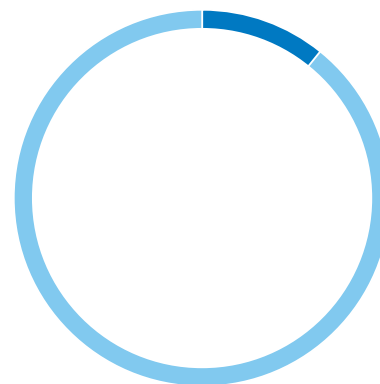
- Maintaining Russia's energy security;
- Improving access to gas supply across Russia and developing the social and economic potential of the Russian regions;
- Building and expanding sports, social, and business infrastructure;
- Supporting culture, science and education;
- Providing educational and social programs for employees;
- Taking care of the environment and preserving the planet's natural resources;
- Stimulating demand for local products, supporting small and medium-sized enterprises, and creating jobs.

### Gazprom Group's share in Russia's total production and processing output in 2016

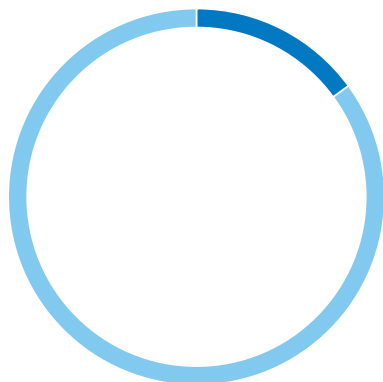
66%  
of gas  
production



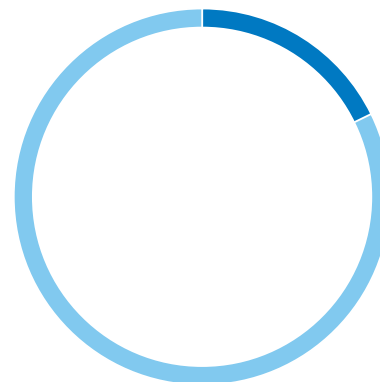
11%  
of oil and  
gas condensate  
production



15%  
of electricity  
production



18%  
of oil refining  
and stable  
gas condensate  
processing



■ Gazprom Group  
■ Other companies



### Gazprom Group economic indicators, 2012–16\*

Indicator	2012	2013	2014	2015	2016
Total value added, RUB billion	2,780	3,254	3,221	3,356	3,077
Share in Russia's GDP, %	4.2	4.6	4.1	4.0	3.6
Capital investments, RUB billion**	1,349	1,397	1,262	1,641	1,369
Share in Russia's total capital investments, %	10.7	10.4	9.1	11.8	9.4
Share in oil and gas revenues of Russia's federal budget, RUB billion	1,131	1,248	1,365	1,293	1,220
Share in oil and gas revenues of Russia's federal budget, %	17.5	19.1	18.4	22.1	25.2
Payments to Russia's budgets at all levels (taxes and other similar payments), RUB billion	1,951	1,821	2,063	1,947	1,966
Dividends on state-owned stock, RUB billion***	106	71	86	86	94
Share in consolidated budget revenue, %	8.8	7.7	8.0	7.5	7.3

\* For details, see the relevant section of Appendix 2.

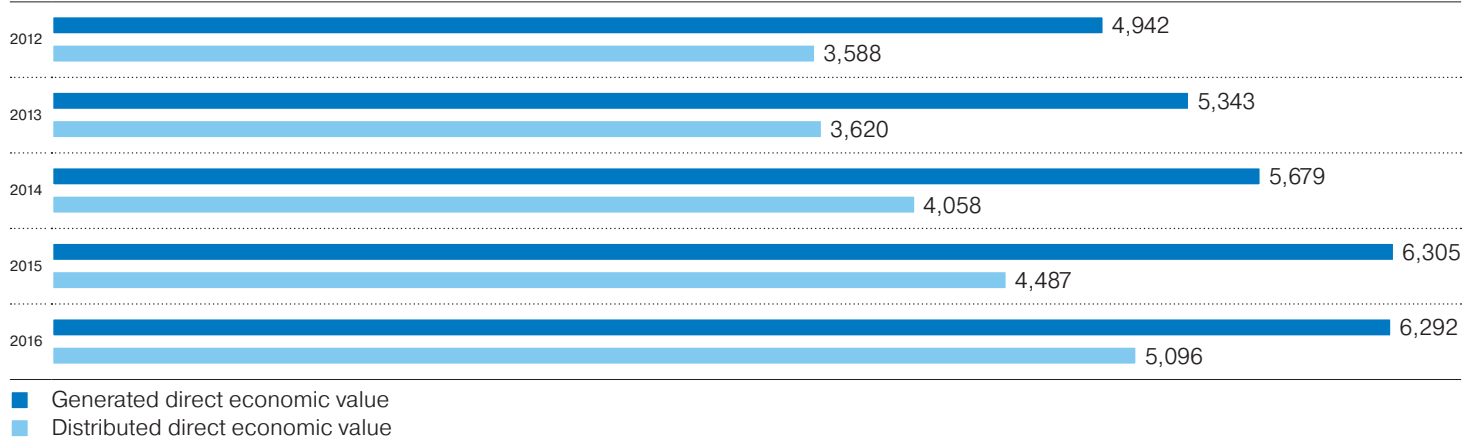
\*\* As per the statement of cash flows included in Gazprom's IFRS consolidated financial statements.

\*\*\* State or state-controlled legal entities share in Gazprom PJSC dividends.

Despite macroeconomic pressures in 2016, Gazprom showed a strong financial and operating performance, with the Group's revenue from sales (net of VAT, excise and customs duties) growing

0.6% y-o-y to RUB 6,111.1 billion. The revenue growth was driven largely by increased sales of crude oil and gas condensate.

### Direct economic value generated and distributed in 2012–16, RUB billion



## 1.1.2. Energy Supplies to Domestic Customers

**Gazprom Group's operations in Russia, 2016**

Gas supply and access to gas services	Gas transmission trunklines extension	171.4 thousand km
	Gas supply investments	25 RUB billion
	Supplies to Russian consumers via Gazprom's GTS (excluding GTS process needs)	348.7 bcm
Vehicle fuel supplies*	Filling stations	1,244 units
	Gasoline and diesel fuel sold at the filling stations	8.2 mmt
	Average daily sales per-station	19.26 tonnes per day
	Jet fuel sales	2.85 mmt
	Bunkering fuel sales	2.17 mmt
NGV fuel supplies	CNG filling stations	254 units
	NGV fuel sales	480 mcm
	NGV fueling infrastructure investments	3,748 RUB million
Electricity and heat supplies	Installed capacity of power stations	39.8 GW
	Electricity generated	156.7 bn kWh
	Heat produced	125.6 mln Gcal
	Share in domestic electricity generation	15%

\* Gazprom Neft Group's data.

## 1.1.2.1. Gas Supply and Access to Gas Services

Gazprom is the largest supplier of natural gas to the domestic market. The Group's increased focus on expanding its gas distribution network has given tens of millions of apartments and homes in Russia access to electricity and heat — essential elements of comfort — and made it possible for a significant number of domestic industrial enterprises to use natural gas, a source of more environmentally friendly energy, for their operations.

In 2016 the Group continued to pursue its large-scale and socially significant initiative to connect more households and businesses in Russia to gas supply. Over 2016, the share of the population with

access to gas in Russia rose from 66.2% to 67.2%:

- Towns and urban communities — 70.9%
- Rural areas — 57.1%

A top priority of the Eastern Gas Program, coordinated by Gazprom PJSC, is the supply of natural gas to consumers in Eastern Siberia and Russia's Far East. The Group is working to establish and develop gas production hubs, and to add new transportation capacity. These are the core initiatives that will help to secure long-term gas supplies for consumers in Eastern Siberia and Russia's Far East, and to set up a new export channel to Asia-Pacific markets.

## Results of efforts to improve access to gas across Russia

Indicator	2005–2016	Incl. 2016
Investments by Gazprom PJSC, RUB billion	≈ 295.2	25
Number of completed gas pipelines	2,046	163
Pipeline length, kilometers	> 28,000	> 1,425
Number of users ready to be connected to the gas distribution network		
Boiler stations	5,060	175
Homes and apartments, thousand	≈ 815.1	≈ 25.4

### 1.1.2.2. Vehicle Fuel Supplies

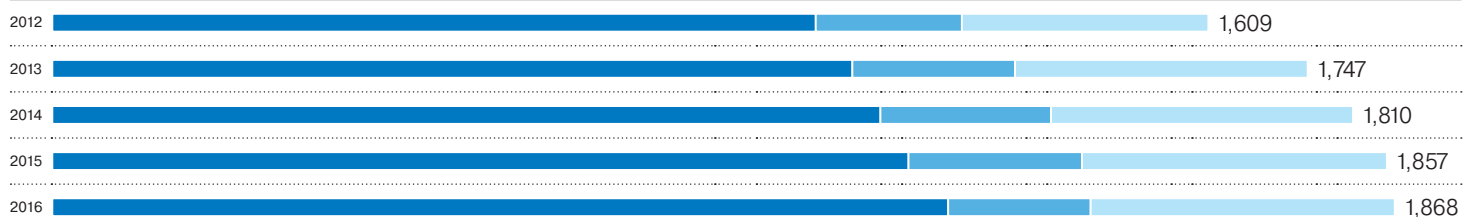
#### 1.1.2.2.1. Gasoline and Diesel Fuel

The expansion of retail sales of petroleum products is one of the key areas of focus for Gazprom Neft, the oil arm of Gazprom PJSC.

Gazprom Neft is steadily progressing toward its 2025 strategic goal of ranking among Russia and the CIS top performers in terms of retail volumes and profitability. Sales of gasoline and diesel fuel

through Gazprom Neft's chain rose from 10.2 million tonnes in 2015 to 10.5 million tonnes in 2016, of which 8.2 million tonnes were sold in Russia. Gazprom Neft is the absolute No. 1 among peers in terms of per-station sales, with average daily sales in Russia amounting to 19.26 tonnes per day, up 0.6% from 19.15 tonnes a year earlier.

### Number of Gazprom Neft filling stations, 2012–16

2012						1,609
2013						1,747
2014						1,810
2015						1,857
2016						1,868
	2012	2013	2014	2015	2016	
■ Russia	1,060	1,111	1,150	1,189	1,244	
■ CIS	205	228	239	243	200	
■ Europe	344	408	421	425	424	

## 1.1.2.2.2. Jet Fuel

Gazpromneft-Aero JSC, a subsidiary of Gazprom Neft, has clearly established itself as the dominant player on Russia's jet fuel market. The company owns the largest domestic retail chain, which now spans 47 airports, including 46 in Russia and one in Kyrgyzstan. The key initiative completed in 2016 was the inception of fuel supplies,

including into-plane fueling services, in Yekaterinburg and Saransk, and at three airports in Chukotka.

Gazprom Gazenergoset JSC, which also focuses on jet fuel sales, increased its domestic market share from 1.86% in 2015 to 1.94% in 2016, having sold a total of 0.170 million tonnes in 2016.

**Gazprom Neft domestic jet fuel sales and market share, 2012–16**

Indicator	2012	2013	2014	2015	2016
Jet fuel sales, mmt	2.65	2.82	2.91	2.81	2.85
Share of the jet fuel market, %	21.3	22.7	25.2	26.3	26.2

## 1.1.2.2.3. Bunkering

The Gazprom Group's bunkering fuel business is operated by Gazpromneft Marine Bunker LLC, a subsidiary of Gazprom Neft. The company is engaged in the sales of light, dark and specialized conventional marine fuels for sea and inland waterway transport. With operations in all key domestic ports (20 seaports and 14 river ports), Gazpromneft Marine Bunker LLC is widely established in Russia. It also does business in Europe (in Tallinn, Estonia, and Constanta, Romania).

Despite a lackluster year for the bunkering sector, with the market contracting by 25.3%, the company retained its position as a major player, accounting for 19.1% of the Russian bunkering market.

By 2025, the company plans to increase fuel sales, expand its own terminal network, upgrade its fleet, start selling LNG as bunker fuel in Russia, and build LNG bunker vessels.

**Gazprom Neft domestic and international marine fuel sales and bunkering market share, 2012–16**

Indicator	2012	2013	2014	2015	2016
Marine fuel sales, mmt	2.13	3.02	3.39	3.30	2.17
Share of the bunkering market, %	18.6	18.6	18.6	21.0	19.1

## 1.1.2.2.4. Natural Gas as a Vehicle Fuel

Over the past years, the use of natural gas as a vehicle (NGV) fuel in Russia has been rising steadily.

Gazprom places a strong emphasis on the natural gas fuel market in the context of its business development agenda. Eco-friendliness makes natural gas superior to other fuels.

There are two forms of natural gas that are currently used in vehicles: compressed natural gas (CNG) and liquefied natural gas (LNG).

Liquefied petroleum gas (LPG), extracted from associated natural gas, can also be used as a vehicle fuel.

The target segments for LNG<sup>(1)</sup> are long-haul cars, railway and waterborne transport, quarry machinery and agricultural equipment.

The target segments for CNG are commuter-carrying vehicles, light trucks, passenger cars and municipal vehicles.

(1) For details about the LNG market, see the International Market Outlook section.

Gazprom PJSC set up Gazprom Gazomotornoye Toplivo LLC, a special-purpose company focused on the systemic development of the natural gas fuel market. The company's strategic goal is expanding the use of natural gas as a vehicle fuel and establishing itself as a dominant player on the domestic motor fuel market. The company serves as a consolidating holding for the relevant Group assets and is tasked with developing new production and marketing infrastructure.

The company has a registered brand, EcoGas, which is designed to promote NGV fuel. Gazprom Gazomotornoye Toplivo LLC is focused on creating the requisite conditions to facilitate transition to NGV fuel by expanding the chain of CNG filling stations. The compa-

ny's NGV fueling infrastructure has an annual design capacity of around 2 billion cubic meters of natural gas. Gazprom's retail chain comprises 254 CNG filling stations. To effectively stimulate the natural gas fuel market, Gazprom Gazomotornoye Toplivo LLC builds new filling stations, operates a fleet of mobile refueling trucks, and is currently working on projects to install CNG compressor modules at existing filling stations. Investments in the NGV fueling infrastructure in 2016 were just over RUB 3,748 million.

Owing to its structured market approach, Gazprom is adding 9–10% to its CNG sales every year, with a total of 480 million cubic meters of gas sold across the Group's retail chain in 2016.

#### Gazprom Group NGV fuel sales in Russia, 2012–16

Indicator	2012	2013	2014	2015	2016
NGV fuel sales, mcm	349	374	406	436	480
Number of CNG filling stations	198	202	212	217	254

The Gazprom Group also works to build on its LPG retail sales, which is one of the areas of focus for Gazprom Gazenergoset JSC, a subsidiary of Gazprom Mezhhregiongaz LLC. Gazprom Gazenergoset JSC sold 172,100 tonnes of LPG in 2016. The company operates 235 gas filling stations in 24 Russian regions and continuously expands its footprint in the local market. Apart from LPG, Gazprom Gazenergoset JSC is engaged in CNG sales, with 900 tonnes sold in 2016.

As part of the Clean City program, the company sponsored the installation of an autogas system on 655 corporate vehicles. Another program, Clean Economy, is designed to encourage transition to NGV fuel among private motorists: those owners who converted their vehicles to run on natural gas get a discount at gas filling stations operated by Gazprom Gazenergoset JSC's subsidiaries. The program drew over 2,000 motorists in 2016.

#### 1.1.2.3. Electricity and Heat Supplies

The Gazprom Group is the dominant player on the Russian electric power market in terms of installed power generating capacity and electric power output in thermal power generation. It is also listed among the top 10 European electricity producers.

Mezhregionenergosbyt, a Gazprom Group company, is one of the leading domestic electric power suppliers. The company is active both on the wholesale and retail power markets, and covers over 95% of the power needs of Gazprom Group members.

Gazprom continued on the fast track to grow its electric power business in 2016. Group companies have established themselves as reliable producers and suppliers of electric and heat energy. They also pursue significant investments.

Gazprom's key generating assets are consolidated in a subsidiary, Gazprom Energoholding LLC, that owns controlling interests in nergo PJSC, United Moscow Energy Company PJSC (MOEK PJSC),

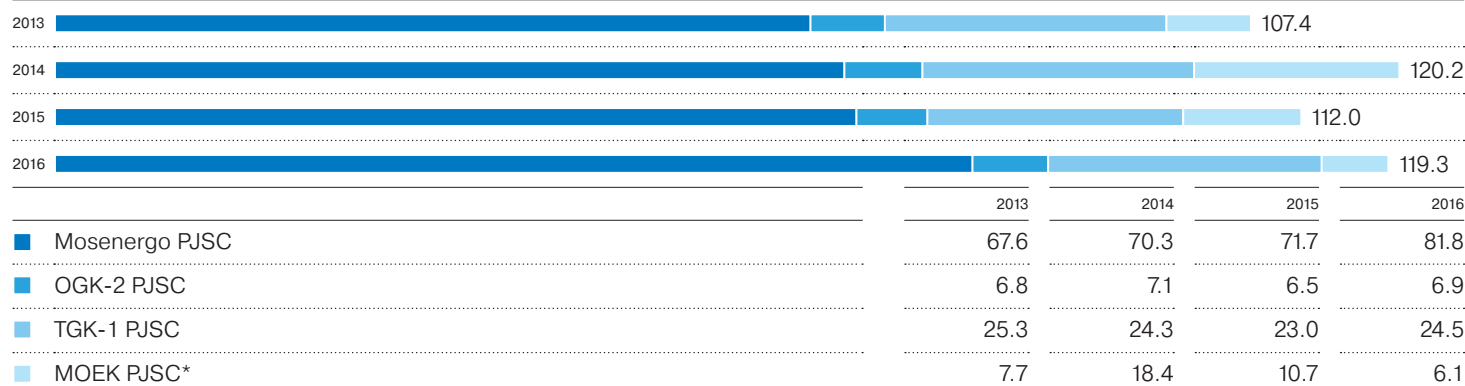
OGK-2 PJSC, and TGK-1 PJSC, which include 79 electric power stations with an installed capacity of around 39 GW (c. 17% of the total installed capacity of Russia's Unified Energy System).

Gazprom Energoholding's power stations generated a total of 154 billion kWh in 2016, while heat supplies from thermal power plants amounted to 119 million Gcal. Major factors influencing the operating performance in 2016 were capacity additions under capacity supply agreements, equipment utilization by the System Operator, steps to minimize the use of inefficient power plants, as well as weather conditions.

Most electricity and capacity is sold on the wholesale market to major consumers, power retailers and guaranteeing suppliers that purchase electricity for resale to end-use consumers, including households.

**Electric power generation by Gazprom Energoholding's assets in 2013–16, billion kWh**


\* Indicators are provided since the control was established.

**Heat generation by Gazprom Energoholding's assets in 2013–16, million Gcal**


\* Indicators are provided since the control was established.

Gazprom Energo LLC is a specialized power subsidiary of Gazprom PJSC. The company operates in 43 Russian regions and provides a full range of services, including electric power and heat transmission to Gazprom PJSC, Group companies and other consumers (households, municipal utilities, government institutions, etc.).

Gazprom also develops a small-scale heat energy business through Gazprom Teploenergo JSC, its specialized holding company,

which tops the list of Russian investors in small-scale heat energy. The company acts as investor and operator in a number of socially significant projects, including the rehabilitation and upgrading of heat supply systems, the construction of modular gas-fired boiler stations and co-generation plants, as well as the construction and upgrading of heat supply networks.

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#### 1.1.2.4. Consumer Relations

Gazprom Group companies take responsibility for the quality of their products. Consumer satisfaction is essential to long-term success.

Gazprom Mezhtregiongaz LLC sells natural gas to regional trading companies, which provide continuous supplies of natural gas for retail and commercial consumers. The company puts together and implements initiatives aimed at improving gas supplies and access to gas services that are proposed by local authorities, which, in turn, make sure that users are ready to be connected to the grid.

Consumer satisfaction is a priority for Group companies engaged in the production and marketing of vehicle fuels. The Group makes continuous efforts to improve the existing quality controls and requests feedback from consumers.

Gazprom-Aero JSC conducts customer satisfaction surveys among airlines using a questionnaire put together in accordance with ISO 9001:2008 requirements. The survey findings are then used to generate recommendations for service quality improvement.

Gazpromneft Marine Bunker LLC conducts an annual satisfaction and loyalty assessment among its consumers order to maintain the level of service in compliance with ISO 9001:2008. The company uses questionnaires and in-depth interviews as assessment tools that help it to gain a better understanding of how it is perceived by counterparties and to make major service improvements.

Gazpromneft-Lubricants Ltd. is focused on the production and marketing of lubricants. The company's products meet domestic and

international standards and have safety data sheets as required by applicable law. Gazpromneft-Lubricants Ltd. gathers information by requesting written feedback from B2B players and encouraging B2C players to give their opinion through a special hotline, as well as in the course of training sessions held for trading partners.

Owing to the high quality of its products and services, the Gazprom Neft filling station network was a three-time winner of the Consumer Rights and Service Quality Award in 2012, 2015 and 2016 in the Consumer Choice category. The company ended the year 2016 with a Net Promoter Score (NPS) of 57%. The following controls are implemented across the Gazprom Neft filling station network to promote an efficient and customer-oriented approach to the greatest extent possible:

- Functional quality control;
- Service compliance control;
- Retail brand compliance control;
- Remote operations monitoring;
- Customer enquiry management;
- Customer satisfaction and loyalty assessment.

The findings from the oil product quality assessment across the entire supply chain are used to investigate the root causes of quality problems and develop corrective measures. These efforts helped to curb the penetration of counterfeit products in 2016.



## 1.1.3. Innovations

With its portfolio of unique hydrocarbon production and supply projects — strategic for the Russian economy — inside the Arctic Circle as well as in the Sea of Okhotsk, Eastern Siberia and Russia's Far East, Gazprom not only generates innovative solutions, but also acts as Russia's largest consumer of innovations.

Innovation development is viewed as a priority at Gazprom. The primary objective of innovation development management is maintaining technological and organizational progress to strengthen Gazprom's position as a global energy company and a reliable supplier of hydrocarbons.

An Innovation Program (the "Program") is a key policy document for long-term planning and management of innovation activities. In 2011 the Board of Directors approved an Innovation 2020 Program. To shape and streamline Gazprom PJSC's innovation agenda, and establish mid- and long-term goals, the Company adopted an Innovation 2025 Program, which was approved by the Board of Directors in 2016. The Program provides a set of measures to develop and introduce innovative technologies, products and services across the entire value chain, from oil and gas production, transportation and processing to electric power generation. It draws on the results of a forward-looking analysis of markets and technologies that takes into account recent trends in global innovation and Gazprom PJSC's competitiveness on this front.

The Program sets a course for technological advancement, including priority tasks, research and development (R&D) strategies,

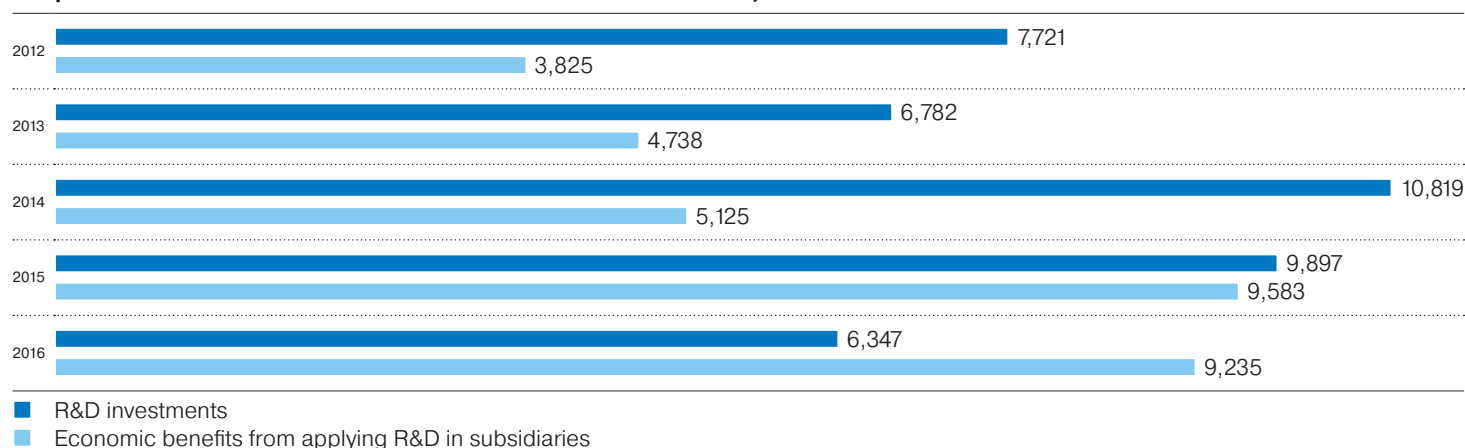
key innovation projects, and R&D investment targets. It also establishes strategic directions for organizational innovations.

To drive an orderly R&D process and increase return on investment, the Company adopted a model R&D organization chart for deployment across the Group. One of the core elements of the chart is an R&D Commission, a standing body established at Gazprom PJSC in 2016. The Commission is charged with the task of evaluating R&D proposals and deciding whether they should be submitted for the approval of Gazprom PJSC's CEO. The Commission relies on a pool of subject-matter experts to assist in an independent review process. All group-wide organizational and technical measures are combined into comprehensive programs, arranged by focus area in order to achieve the maximum added value. Such programs include the following:

- Energy saving and efficiency programs of Gazprom PJSC;
- Comprehensive programs for the upgrading and revamping of upstream gas assets;
- Comprehensive programs for the upgrading and revamping of transport facilities and underground storage facilities;
- Comprehensive programs for the upgrading and revamping of gas and liquid hydrocarbons processing facilities.

R&D activities worth RUB 6.3 billion were completed in 2016 using the funds provided by Gazprom; the economic effect from these activities on the wider Group totaled RUB 9.2 billion.

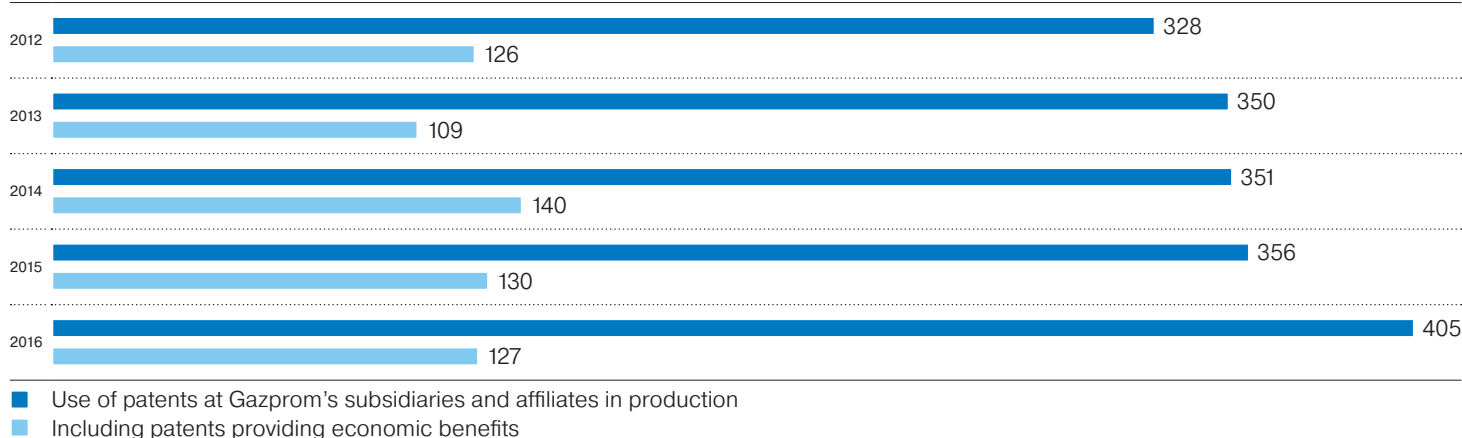
**Gazprom investments in R&D and their economic effect in 2012–16, RUB million**



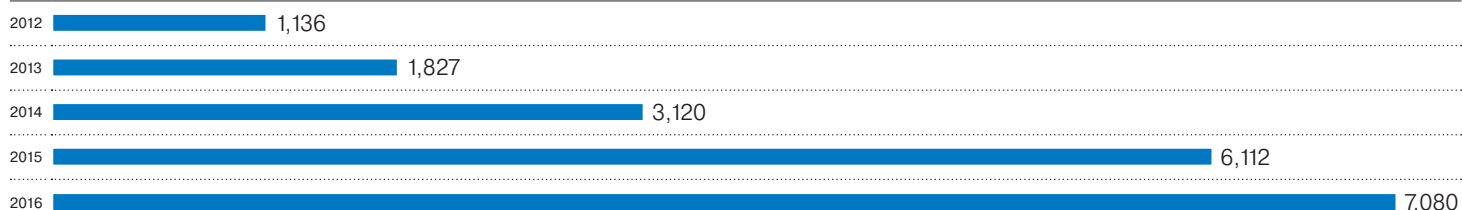
The efficient management of IP assets helps in implementing the national policy of transition to innovation-led growth. At 31 December 2016, Gazprom PJSC and its subsidiaries held 2,269 patents, including 205 patents obtained in 2016, and 991 software and database

registration certificates, including 139 certificates obtained in 2016. The Gazprom Group used 405 patented items in its operations, with realized savings exceeding RUB 7 billion. A total of 227 patent applications were filed by Gazprom PJSC and its subsidiaries in 2016.

#### Number of patents used in operations across the Gazprom Group in 2012–16



#### Gazprom Group realized savings from patents in 2012–16, RUB million



Gazprom PJSC works closely with international energy companies to expand its science, technology and innovation potential<sup>(2)</sup>.

Gazprom employs a “one-stop shop” approach to ensure a quick and smooth process for the submission of innovation proposals by small and medium-sized enterprises (SMEs) and individuals, and their evaluation. This is a clear and transparent mechanism for submitting and evaluating innovation proposals. A total of 71 innovative products proposed by SMEs and individuals were evaluated for their practical merits using the “one-stop shop” mechanism in 2016.

Gazprom’s corporate R&D center, which includes scientific and research organizations and design institutes, is a key contributor to effective innovation efforts across the Group. As part of its innovation activities, the Company also cooperates with external institutions, research centers, and anchor universities. Gazprom PJSC takes

a comprehensive approach to managing relations with anchor universities, including through a special Communication Policy designed to assist them in planning their educational programs. In 2016 Gazprom expanded its reach to academia from 9 to 12 anchor universities, which resulted in a growing level of cooperation.

The most promising science, technology and R&D proposals in the priority areas of the Group’s business are nominated for the Gazprom PJSC Award. The total economic effect from award-winning proposals, including through import substitution, exceeded RUB 14 billion.

From 2016, Gazprom launched the Best Young Innovator contest to reach out to young talent and encourage their involvement in technological and process enhancements.

(2) For details, see the Cooperation with the Business Community section.

### 1.1.4. Cooperation with Local Manufacturers

Cooperation with local manufacturers is a priority task for the Group. For years, Gazprom has been working continuously on embracing the industrial potential of the Russian regions, including by increasing the share of local products in the Group's operations and developing Russian equivalents of foreign-made equipment. Gazprom's import substitution policy spawns not only new enterprises, but also entire industries. Domestic metals companies as well as pipe, compressor and pump manufacturers have achieved the most notable success on this front.

In furtherance of its import substitution strategy, the Group works with administrations of the Russian regions to establish joint road maps, which are designed to maximize the use of local resources. Between 2014 and 2016 Gazprom signed agreements with St. Petersburg, Bashkortostan, Mordovia, Tatarstan, Perm Territory, the Vladimir Region, the Voronezh Region, the Kirov Region, the Irkutsk Region, the Nizhny Novgorod Region, the Omsk Region, the Tomsk Region, and the North Caucasus Federal District.

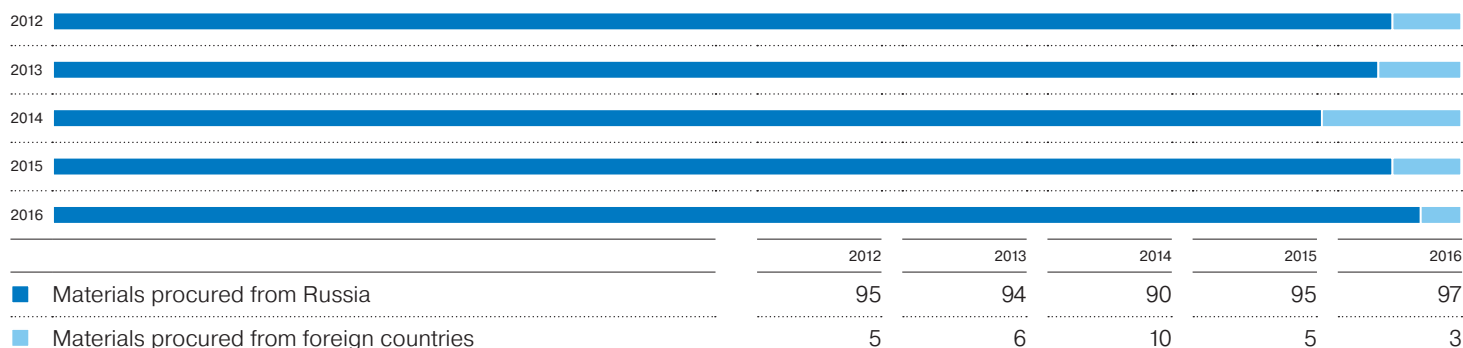
To support and develop domestic manufacturing, Gazprom Komplektatsiya LLC, in collaboration with local authorities, organizes

regional meetings for Russian manufacturers seeking to serve the oil and gas industry. The meetings cover a wide range of subjects, including the arrangement of product supplies, participation in tenders held by Gazprom Komplektatsiya LLC, maintaining the requisite product quality, deploying world-class high-tech equipment for the gas industry, etc. Gazprom Komplektatsiya LLC also maintains and constantly updates a prospective supplier database in order to invite local manufacturers to bid for the supply of equipment and materials to Gazprom PJSC and its subsidiaries.

To promote transparent and effective communication with manufacturers, Gazprom PJSC's website features a list of top products targeted for import substitution and localization in order to drive technological change across the Group, as well as a methodology for assessing producers' readiness to manufacture these products.

Owing to comprehensive support for local production, the share of foreign purchases in total purchases of equipment and materials continues to decline, with foreign purchases making up less than 3% of the total at the end of 2016.

#### Domestic vs. foreign equipment and materials supplies to Gazprom Komplektatsiya LLC in 2012–16, %



# Responsibility to International Consumers

## Gazprom as a Global Energy Player

The Gazprom Group holds the world's largest natural gas reserves (around 17%) and is the global leader in natural gas production (around 11%). Since 2014 the share of the Group's export supplies of both pipeline gas and LNG has been on the rise, reflecting Gazprom's growing competitiveness on global markets and its integration into global trade.

The year 2016 was marked by a number of economic and technological events, which may have a major impact on global energy markets and Gazprom PJSC's business both in the mid- and long-term.

These events include the following:

- Gazprom PJSC's gas exports to Europe hit an all-time high;
- Oil prices settled at a relatively low level and major industry players continued to slash their capital spending;
- Planned investments in new gas liquefaction facilities globally, mostly in the US, were canceled or delayed;
- China's natural gas consumption returned to a growth path;
- The Paris climate accord came into effect.

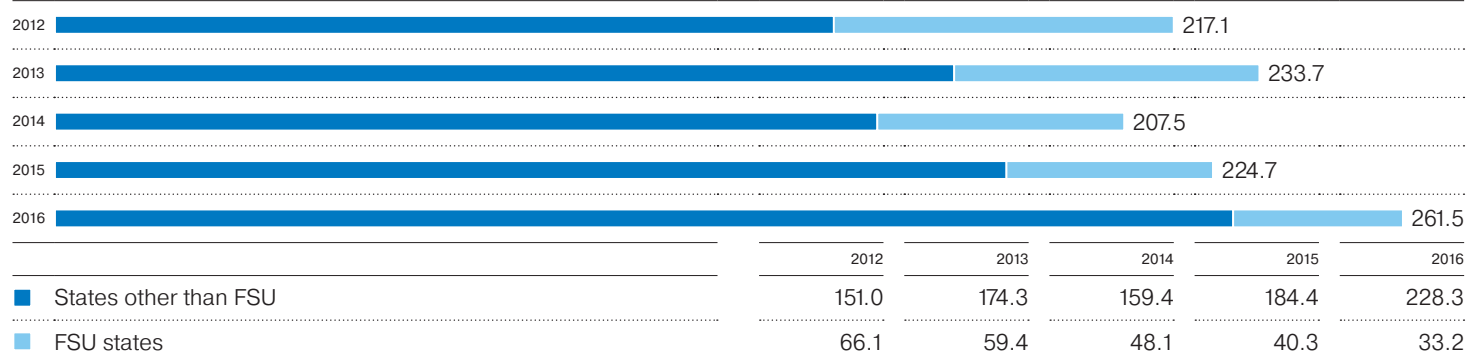
## 1.2.2.

## Energy Supplies to International Consumers

## 1.2.2.1.

### Natural Gas Supplies to the Global Market

#### Gazprom Group natural gas exports in 2012–16, bcm



Gazprom supplies natural gas to consumers within and beyond the FSU. Total gas exports amounted to 261.5 billion cubic meters<sup>(3)</sup>. The 2016 performance underlined the strong position of Russian gas on the global market.

As of 2016, the Gazprom Group exports substantial volumes of natural gas to FSU countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Uzbekistan and Estonia) and

some volumes of natural gas to Georgia. The Group's strategy in the FSU is focused predominantly on maintaining the attractiveness of Russian gas on local markets and expanding access to end consumers. Supplies to FSU countries in 2016 declined as demand waned, mostly in Ukraine and the Baltic states. Natural gas consumption fell due to subdued economic activity, declining industrial output, and coal's rising share of the global energy mix.

(3) Sales in the FSU, Europe and other countries include both exports of natural gas from Russia and sales of natural gas purchased by the Group outside Russia.

## Gazprom Group sales, transportation and underground storage of natural gas outside the FSU

Country	Gas sales via pipeline	Gas transportation*	Underground storage	Sales to end consumers	Retail sales (CNG and cryogenic filling stations)
Austria	■	■	■	■	
Belgium		■		■	
Bosnia and Herzegovina	■				
Bulgaria	■	■			
Czech Republic	■	■	■	■	■
Denmark	■				
Finland	■				
France	■			■	
Germany	■	■	■	■	■
Greece	■				
Hungary	■	■		■	
Ireland				■	
Italy	■				
Macedonia	■			■	
Netherlands	■	■	■	■	
Poland	■	■			■
Romania	■	■		■	
Serbia	■	■	■	■	■
Slovakia	■	■			
Slovenia	■				
Switzerland	■				
Turkey	■				
United Kingdom	■			■	

\* Transport capacities reservation to supply gas to receipt/delivery points.

Gazprom Export LLC, a subsidiary of Gazprom PJSC, is the Group's major exporter of natural gas. Gas exports to Europe excluding FSU countries, under contracts signed by Gazprom Export LLC<sup>(4)</sup>, totaled 179.3 billion cubic meters. 2016 was a record-breaking year for Russian gas exports to Europe. Russian gas as a share of European consumption also rose to a record high, hitting 33.1%. Growth in Russian gas supplies to Europe was propelled by weather conditions, declining domestic European production, larger volumes of gas injected into underground storage facilities in Europe, and the price competitiveness of Russian gas.

Western Europe and Turkey are the two most popular destinations for the Group's natural gas exports. Gazprom supplied a total of 146.2 billion cubic meters of natural gas to these markets in 2016<sup>(5)</sup>. The Group places a particular focus on the Central European market due to its proximity to Russia, and it covers over a half of CEE countries' natural gas needs (33.1 billion cubic meters of natural gas exported in 2016)<sup>(6)</sup>.

The Group makes comprehensive efforts to establish the most reliable and economically efficient routes for Russian gas exports to global markets. Gazprom has commenced two projects to build gas export pipelines to Europe: Nord Stream 2 and TurkStream.

Nord Stream 2 is a highly profitable commercial project that will expand the existing Nord Stream pipeline and open up the shortest and cheapest export route to connect consumer markets to a new resource base in Yamal. Once completed, the pipeline will be able

to transport 55 billion cubic meters of gas annually. Pipe delivery started in 2016. An agreement to perform offshore pipe-laying work for both pipeline strings was signed in February 2017.

The TurkStream project, implemented by Gazprom PJSC, involves the construction of two pipeline strings with a total annual capacity of 31.5 billion cubic meters, running over 900 kilometers from Russia to Turkey under the Black Sea. Contracts for the construction of the first and second strings of the pipeline's offshore section were signed in late 2016–early 2017. Once completed, the pipeline will improve the security of Russian gas supplies to southern and southeastern Europe.

Further steps were taken in 2016 to arrange pipeline gas supplies to China from Russia's Far East. In pursuance of the agreement between Gazprom PJSC and CNPC for gas supplies from Russia to China via the eastern route, the Company completed the design phase for the cross-border section of the Power of Siberia gas trunkline, including the crossing under the Amur River. 445 kilometers of the pipeline had been built by the end of 2016.

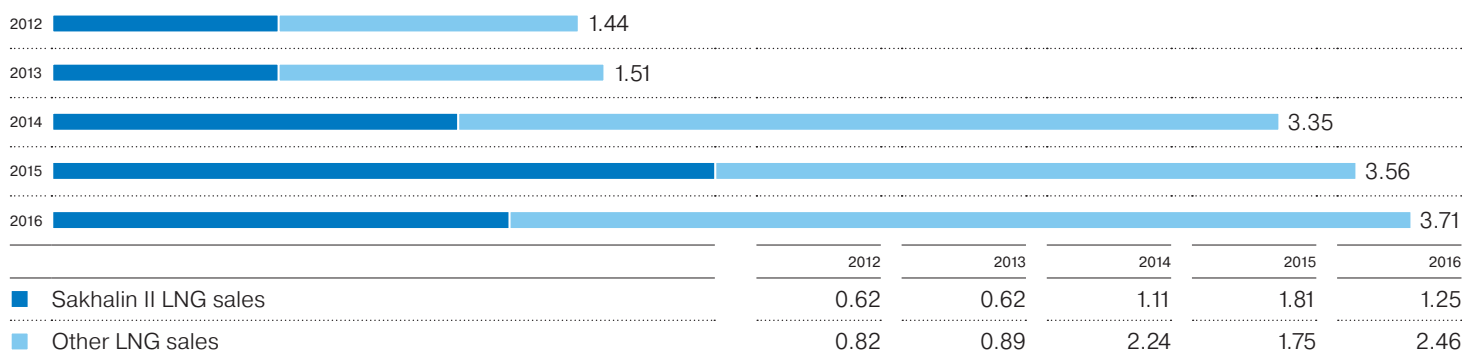
The Power of Siberia is a significant project that is set to contribute to the social and economic development of Russia's Far East. An EPC contract to build the crossing under the Amur River was signed in September 2016. Gazprom PJSC and CNPC are in the process of negotiating technical arrangements related to eastern route supplies. The parties are also pursuing other cooperation opportunities.

(4)–(6) Natural gas sold by Gazprom PJSC to non-FSU countries via Gazprom Export LLC, including auction sales, and natural gas sold directly by GAZPROM Schweiz AG.



### 1.2.2.2. LNG Market

#### Gazprom Group LNG exports\* in 2012–16, mmt



\* Sales volumes are accounted for in millions of BTUs. For the purpose of this Report, sales volumes were converted from millions of BTUs to millions of tonnes using a factor of  $21 \times 10^{-9}$ , and to billions of cubic meters using a factor of  $28 \times 10^{-9}$ .

Gazprom PJSC seeks to expand its footprint on the global gas market through a balanced combination of pipeline exports and LNG supplies. For over a decade, the Company has been growing its LNG trading portfolio using its own liquefied gas produced at the Sakhalin II LNG plant as well as gas purchased on the futures and spot markets. The Group's LNG trading portfolio is managed by Gazprom Marketing & Trading.

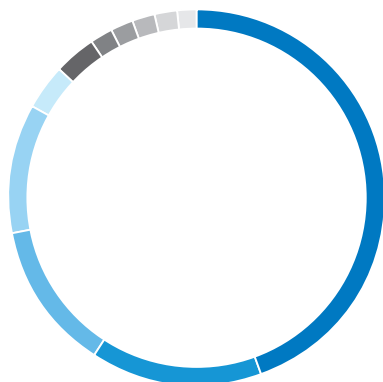
- In 2016 the Group continued to pursue its own LNG projects:
- Sakhalin II is a project that involves Russia's first LNG plant with an annual capacity of 9.6 million tonnes, commissioned in 2009. The front-end engineering design (FEED) work is currently underway for a third liquefaction train that will add another 5.4 million tonnes to the plant's annual capacity;
- An integrated LNG production, storage and shipment facility in Portovaya. Construction work is currently underway. The facility is expected to produce around 1.5 million tonnes of liquefied gas annually. The facility's target segments are autonomous gas supplies, NGV fuel, and LNG bunkering. If required, LNG can be delivered to a LNG regasification terminal in the Kaliningrad Region for further supply to local consumers;
- Baltic LNG is a project to build an LNG plant in the Leningrad Region with a maximum annual capacity of 10 million tonnes.

The project's pre-investment phase has been completed, and it is now ready to move onto the design phase. Following the approval of a comprehensive project plan in March 2016, in June 2016 Gazprom PJSC signed a Memorandum of Understanding with Shell, reflecting the parties' intent to cooperate in this project;

- An LNG regasification terminal in the Kaliningrad Region with a minimum daily capacity of 9 million cubic meters;
- Vladivostok LNG is a project to build an LNG plant near Vladivostok; the plant is expected to produce 10 million tonnes and its capacity may be further extended. The project began the investment phase in February 2013. All engineering and design work for the project is now complete. No construction activities are scheduled for the near future.

The Gazprom Group currently exports LNG to major Asia Pacific markets, including Japan, South Korea, China, and India. Since 2005, the Group has been selling LNG in 14 countries. Gazprom is constantly endeavoring to expand its LNG footprint and strengthen its position in emerging and rapidly growing markets. Attractive markets in Asia (Singapore, Thailand, Pakistan, Vietnam, etc.), Latin America and the Middle East are on Gazprom's list of promising export destinations. Gazprom sold 55 LNG cargoes to customers in 2016.

Gazprom Group LNG exports in 2016, %



Japan	44.5
Taiwan (China)	14.8
India	12.9
Argentina	11.1
Mexico	3.8
UAE	3.8
Egypt	1.9
China	1.9
Kuwait	1.9
South Korea	1.9
Under FOB delivery terms	1.6

Gazprom Marketing & Trading Group companies participate regularly in tenders to supply LNG globally, and arrange LNG purchases and supplies on medium-term, short-term and spot bases.

Despite growing competition from other market players in 2016, the Group increased its LNG trading portfolio by 4% y-o-y to 3.71 million tonnes, or 4.94 billion cubic meters, thus retaining its 1.4% share of the global LNG market<sup>(7)</sup>. Russian LNG supplies (originating in the Sakhalin II project) made up 34% of the Group's LNG portfolio in 2016.

Japan remained a key destination in the Gazprom Group's LNG trading portfolio in 2016, accounting for around 45% of total LNG sales. LNG exports to Taiwan more than doubled. For the first time in a long while, the Group resumed LNG supplies to Mexico and the UAE.

The Gazprom Group operates six LNG carriers for the transportation of liquefied natural gas by sea. In November 2016 Gazprom

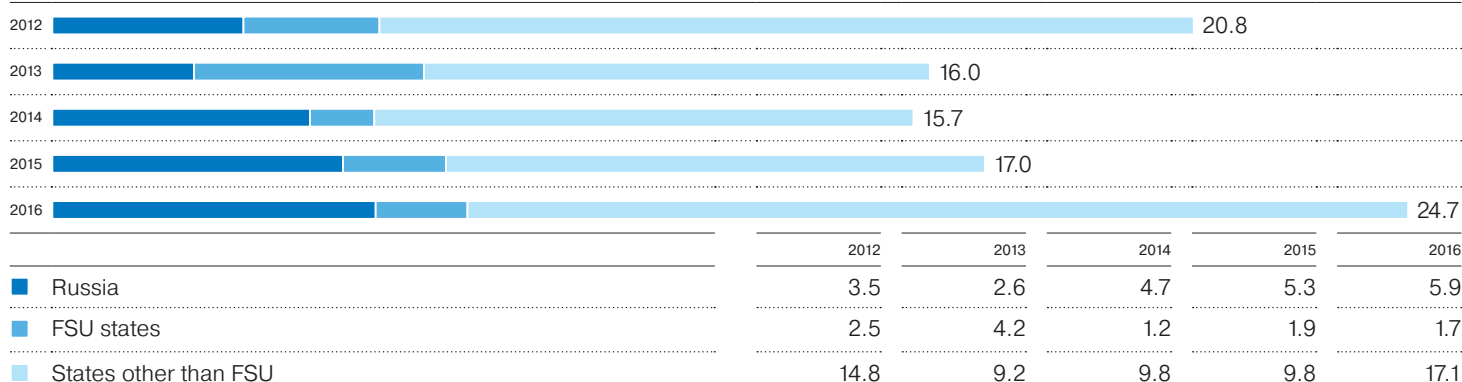
Marketing & Trading signed a contract with Greece's Dynagas for the charter of LNG vessel Clean Energy to transport LNG from Cameroon under a supply contract, which had been signed earlier with Cameroon's Perenco Cameroun and Société Nationale des Hydrocarbures.

Group companies are taking steps to increase the penetration of small-scale LNG supplies in international markets. Over the past three years, the geography of small-scale LNG supplies has been expanded to include three more countries in addition to Poland: Estonia, the Czech Republic and Kazakhstan. The number of supply plants has risen from one to five: apart from Kingisepp, shipments are now made from LNG plants in Kaliningrad, St. Petersburg, Pskov, and Yekaterinburg. Small-scale LNG exports increased from 5,000 tonnes in 2013 to 22,000 tonnes in 2016, and may rise even further to 30,000 tonnes in 2017 if the Pskov plant reaches its full capacity.

(7) Estimated based on Gazprom Marketing & Trading's LNG supply portfolio; Sakhalin II's production is included in actual LNG purchases for the Gazprom Group's portfolio.

### 1.2.2.3. Liquid Hydrocarbon Supplies to the Global Market

#### Crude oil and gas condensate sales by the Gazprom Group in 2012–16, mmt



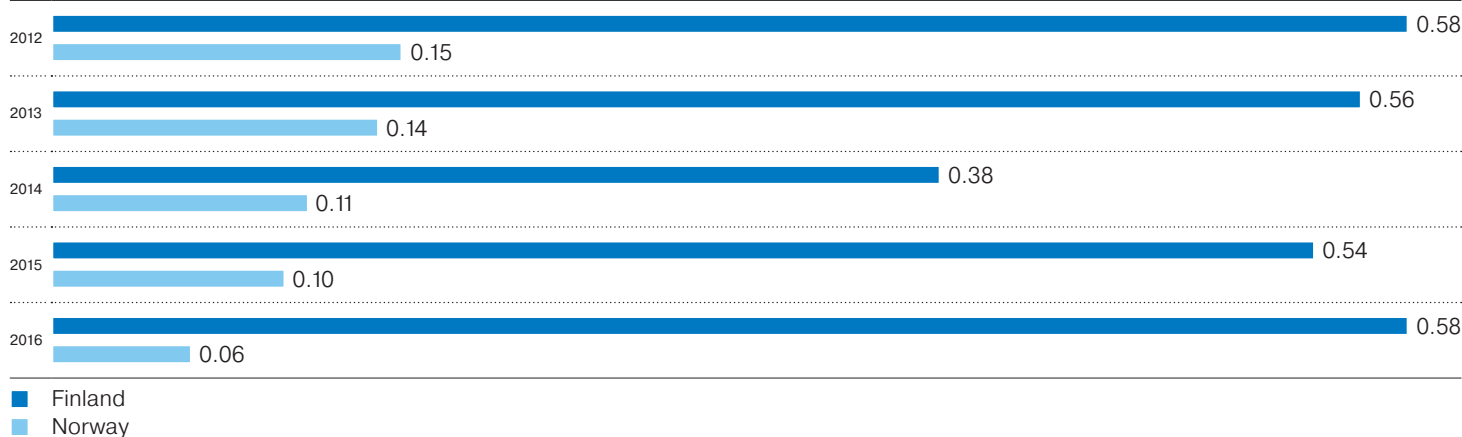
The Gazprom Group sold a total of 18.8 million tonnes of crude oil and gas condensate to international consumers in 2016. Sales to non-FSU countries rose by 74.5% y-o-y to 17.1 million tonnes as Gazprom boosted output from the Novoportovoye and Prirazlomnoye fields, brought Russia's Vostochno-Messoyakhskoye field on stream, and produced more oil in Iraq. Crude oil and gas condensate are supplied to Belarus, Germany, Hong Kong, Greece, Spain, Italy,

China, South Korea, Malaysia, the Netherlands, New Zealand, Romania, the US, Uzbekistan, Finland, Croatia, Sweden, and Japan.

Gazprom Group sold a total of 3.6 million tonnes of oil products to the FSU in 2016, while oil product sales to Europe and other countries amounted to 23.3 million tonnes<sup>(8),(9)</sup>. The year 2016 saw an increase in gasoline sales both within and outside the FSU.

### 1.2.2.4. Electric Power Exports

#### Gazprom Group electric power exports in 2012–16, billion kWh



(8) Excluding intra-group sales; sales of own products and products purchased from third-parties.

(9) Excluding helium.

Geography of TGK-1 PJSC electric power exports



1 Borisoglebskaya HPP  
(Murmansk Region)

→ Norway  
Supply via a line of 154 kW  
with max capacity of 56 MW

2 Kaitakoski HPP  
Hevoskoski HPP  
Rajakoski HPP  
Jäniskoski HPP  
(Murmansk Region)

→ Finland  
Supply via a line of 110 kW  
with max capacity of 75 MW

3 Lesogorskaya HPP  
Svetogorskaya HPP  
(Leningrad Region)

→ Finland  
Supply via a line of 110 kW  
with max capacity of 110 MW

Owing to the unique geographic location of TGK-1 PJSC's electric power stations, Gazprom is able to channel some of its electric energy output to Finland and Norway.

Tsentrenergoholding PJSC, a member of Gazprom Energoholding, and Naftna Industrija Srbije, a Serbian subsidiary of Gazprom Neft, continued their project to construct a power station with an

installed capacity of up to 208 MW in Pancevo, Serbia, to meet the electric power and heat needs of a Pancevo-based oil refinery and a petrochemical complex operated by HIP Petrohemija. The remaining output will be sold on the market. Construction is scheduled to commence in 2017.

# Responsibility to Business Partners

## Dialogue with Investors

Gazprom shows careful consideration for the investment community, making sure it provides all the required information in a timely manner and that it maintains regular communications. Gazprom PJSC has a Coordinating Committee for Shareholder and Investor Relations, a standing body responsible for maintaining open and constructive dialogue with the investment community. The relevant activities are performed in accordance with an annual plan, which is prepared by the Coordinating Committee.

In 2016 Gazprom held its 11<sup>th</sup> annual Investor Day in New York and London. Gazprom's annual Investor Day has gained good traction with the investment community, drawing around 70 portfolio managers and analysts from leading global investment funds and credit institutions attending the event in New York, and around 130 in London. The event was also attended by analysts of top investment banks, including Bank of America Merrill Lynch, Barclays, Citibank, Credit Suisse, J.P. Morgan, HSBC, Morgan Stanley, Societe Generale, Raiffeisenbank, VTB Capital, and Gazprombank. Investor Day was streamed live on the Internet. Gazprom executives gave a detailed account of the Group's operating and financial performance, oper-

ations on export markets, and progress towards strategic targets. A particular focus was placed on the diversification of gas export routes, in particular to Asia Pacific.

During investor meetings it was noted that Gazprom maintains a stable financial position despite challenges facing the global oil and gas sector. Investors were engaged in a productive exchange of opinions with Gazprom management and received detailed answers to a wide range of questions on various topics.

Around 40 individual meetings with officials from the world's leading investment funds were held during the event.

The Group also used other formats to maintain regular communications with investors, including conference calls, personal meetings with Gazprom senior executives and officers, site visits for analysts and investors, and participation in investment conferences and similar events.

Gazprom publishes and regularly updates required information for investors and shareholders in a dedicated section of its corporate website.

## Cooperation with the Business Community

Gazprom leverages Russia's huge industry potential and engages widely with leading domestic players.

The Group cooperates with gas equipment producers, including Kirovsky Zavod — Gas Technologies LLC and United Heavy Machinery Plants PJSC, and invests in the growth of regional businesses. Gazprom partners with LUKOIL, KAMAZ, TMK, Tomsk Machine-Building Technologies and other leading Russian companies. The Group continues to work with ROSNANO to maintain Gazprom's technology leadership in the global energy sector. In December 2016 Gazprom PJSC and the State Atomic Energy Corporation ROSATOM signed the 2017–19 Program for Scientific & Technical Cooperation.

Gazprom PJSC signed a number of additional agreements with major pipe producers in 2016, including an agreement with the Pipe Manufacturers Association to promote INTERGAZCERT, Gazprom's voluntary certification system, which was established by drawing on best international practice. Gazprom continues to develop mutually beneficial business relations with domestic pipe manufacturers; local supplies now make up 100% of the Company's total pipe purchases. Cooperation with domestic producers helps to drive innovation and move towards import substitution goals.

The Chairman of the Gazprom Management Committee and the Chairman of the Executive Board of RUSNANO MC LLC met several times in 2016 to explore opportunities for embedding innovative products, including nanotechnology-enabled solutions, into Gazprom's current and future operations. The parties pointed to the growing number of approved innovative products available for application.

Products recommended for application include pipes with anti-corrosion coating produced by MATACLAY, nitrogen plants produced by GRASYS, swell-resistant and heat-shrinkable pile sleeves produced by Urals Polymer Technology Plant Mayak, light-emitting diodes produced by Optogan, membrane modules for water treatment at power and heat generation plants produced by RM Nanotech to substitute foreign-made equivalents, Li-Ion battery-based DC systems produced by Oldam, and electrically-insulating lodgments produced by IFT (for pipeline support and corrosion protection).

Pipe products allowed for use at Gazprom's facilities include pipes with nano-modified concrete coating produced by BT SVAP (the coating improves pipe fracture toughness properties and it is particularly suitable for pipe-laying in challenging environments).

As a major player on the global energy market Gazprom engages actively with its peers worldwide to promote a business-friendly regulatory, investment and institutional environment. The cooperation spans a wide spectrum, from partnering in core areas of business, undertaking joint research and development, and exchanging practical experience with innovative technologies to aligning efforts to engage with local communities on a variety of sustainability-related topics.

The Gazprom Group is a permanent member in various international organizations, including the International Gas Union (IGU), the Russian-German Chamber of Foreign Trade, the International Business Congress (IBC), the Global Gas Center (GGC), the European Natural Gas Vehicle Association (ENGVA), European Association for the Streamlining of Energy Exchange — gas (EASEE-gas), the International Fertilizer Industry Association (IFA), etc.

Gazprom representatives promote the Group's policy interests on international markets as regular speakers on industry hot topics at high-profile economic and energy forums, such as Gaztech, the European Gas Conference, Flame, the World Gas Congress, and the World Gas Conference.

The Group has established joint research programs with major energy companies, and participates regularly in various meetings to explore solutions to environmental and energy-efficiency issues.

Gazprom PJSC and Austria's OMV AG signed a five-year Scientific & Technical Cooperation and Partnership Program in 2016. Among other activities, the program envisages two-way consultations on a number of topics, including the application of best available techniques (BAT), the transportation of hydrogen-rich gas and the treatment of petroleum hydrocarbon-polluted environments through bioremediation. The Company is expanding its partnership with Germany's Uniper through joint gas production, supplies and transportation projects, research and development programs, and social initiatives.

Gazprom continues to pursue cooperation on environmental, energy efficiency and climate change matters with global players, including Europe's BASF/Wintershall Holding GmbH, N.V. Nederlandse Gasunie, and ENGIE.

Gazprom PJSC works closely with international energy companies to expand its science, technology and innovation potential. Its partnership network in Europe covers Germany (Uniper Holding GmbH, BASF/Wintershall Holding GmbH, VNG-Verbundnetz Gas AG and Siemens AG), the Netherlands (N.V. Nederlandse Gasunie), Austria (OMV Aktiengesellschaft), France (ENGIE and Schneider Electric), Serbia (JP Srbijagas), and Norway (Statoil ASA).

Partners in Asia Pacific include Korea's KOGAZ, China's CNPC, Vietnam's PetroVietnam, and the Agency for Natural Resources and Energy of Japan's Ministry of Economy, Trade and Industry.

Cooperation with international partners is regulated by scientific & technical cooperation and partnership agreements, which envisage dedicated programs covering areas of mutual interest across the entire value chain, from natural gas production, transportation and processing to its delivery to end consumers. There are currently 11 such programs in place. Gazprom PJSC signed another three scientific & technical cooperation and partnership agreements in 2016, with OMV Aktiengesellschaft, JP Srbijagas, and Schneider Electric.

## Cooperation with Regulators

Strong working relations with the Russian authorities contribute to the sustainable development of the Group and the Russian regions in both the mid- and long-term.

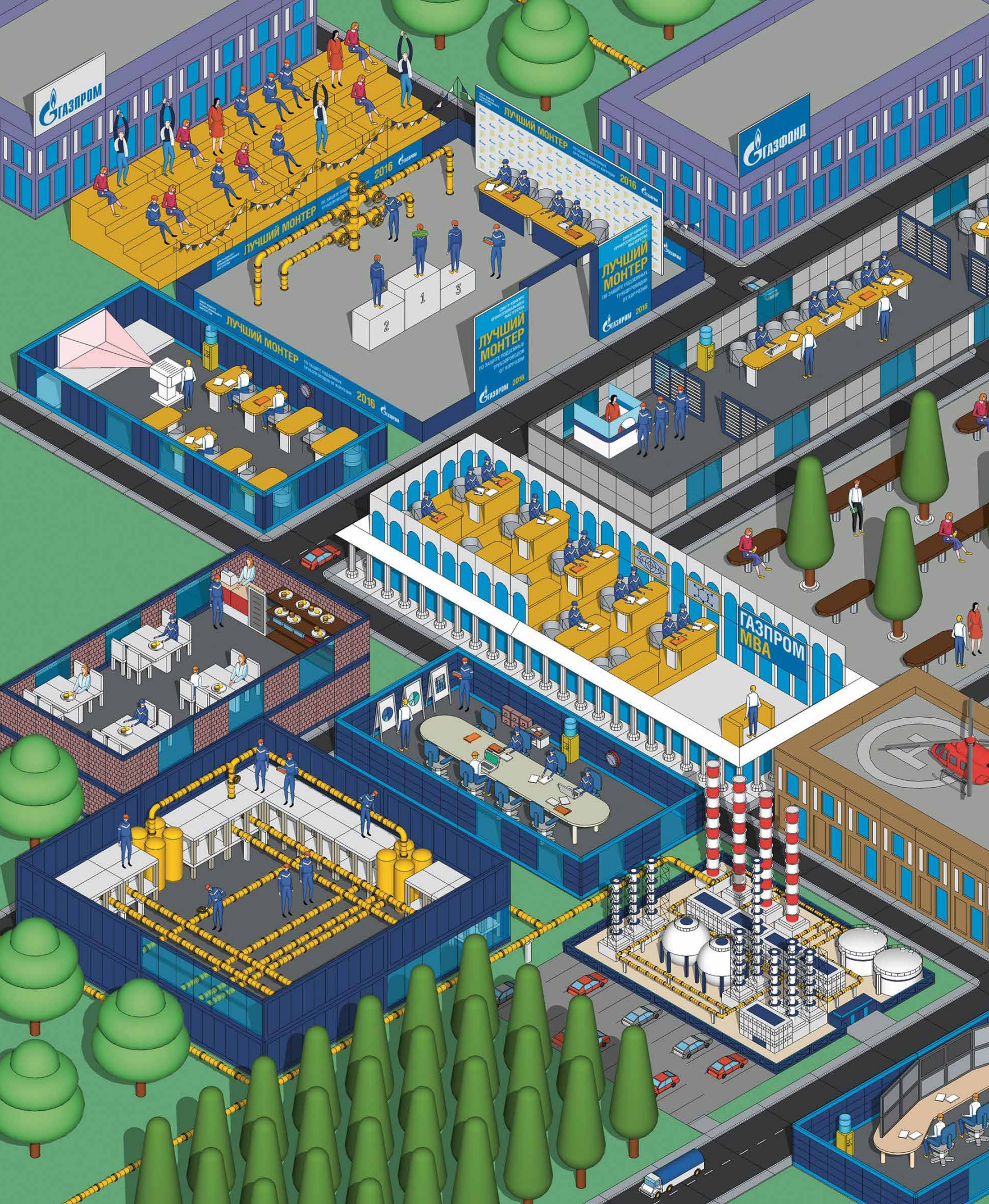
At the federal government level, Gazprom PJSC is actively engaged in the discussion of priority areas of national oil and gas policy through its membership in expert teams responsible for drafting laws and regulations.

The Group is also committed to maintaining and expanding its outreach to European national governments and supranational institutions to promote a favorable regulatory environment and an investment-friendly climate. Gazprom engages in purposeful discussions with regulators, the European Commission, the European Parliament and other authoritative bodies. As a member of working groups and intergovernmental commissions, Gazprom regularly liaises with national governments to ensure that it honors its obligations and thus provides continuous supplies of natural gas. Gazprom strives to be fully compliant with national and EU laws and regulations. The Group is always open to constructive dialogue, fulfills the legitimate requirements of anti-monopoly authorities, and responds to official information requests on a regular basis. Gazprom drives forward this constructive dialogue that helps to bring its message to the competent authorities of the EU and its member states as well as expert communities.

Gazprom Export LLC does business in compliance with the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), which came into effect on 28 December 2011. In pursuance of REMIT requirements, information on actual movements of natural gas and repairs across transport and production assets is published on Gazprom PJSC's website, while information on natural gas supply and transportation contracts with EU counterparties, including trades conducted under these contracts, is submitted to the Agency for the Cooperation of Energy Regulators (ACER).

Gazprom's export products conform with requirements established by national governments. Gazprom Export LLC, acting via Gazprom Marketing & Trading France, Gazprom's special representative subsidiary in the EU, is the only provider of EU REACH/CLP-compliant services for all products exported by Gazprom. Gazprom closely monitors regulatory developments in the EU and its members states for changes in laws regulating chemical substances to make sure that product safety sheets are updated to meet new requirements (e.g., for classification and labeling); additional research into product chemical composition, and physical and chemical properties is conducted in line with European Chemicals Agency (ECHA) standards. Timely steps are taken to register new products to enable their export to the EU.











**Gazprom's HR policy is aligned to internationally recognized standards, such as freedom of association, fair wages and working conditions, working hours, equal pay for work of equal value, social security, paid vacation, occupational health and safety, and non-discrimination at work.**

**Gazprom provides its employees with wide opportunities to achieve their potential and build a successful career.**

**Gazprom effectively manages its social responsibility and looks after the social needs of its employees and their family members. The Group's social policy is to secure a stable future for its employees.**

**Gazprom offers professional training and career development opportunities for young talent aimed at inspiring future generations of industry professionals.**

**Gazprom makes an important contribution to the national qualifications framework through its wide involvement in establishing professional qualification standards for the domestic oil and gas industry.**

**Gazprom shapes the future of the oil and gas community.**

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### Examples of cooperation

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#### Employees

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- Alignment meetings with HR officers across Gazprom PJSC subsidiaries
  - Gazprom Group hotline to deal with fraud, corruption, and theft allegations
  - Regular staff meetings to discuss hot topics relating to employer-employee relations
- 

#### Business partners

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- Vocational education and training cooperation with international oil and gas companies
- 

#### Local communities

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- 26 specialized departments opened at 13 domestic universities
  - Specialized classes established at secondary schools to promote the oil and gas professions
- 

#### Russian government authorities

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- Development of the national system of oil and gas competencies and qualifications
-

# HR Management

A key focus area for the Gazprom Group is establishing an effective HR management framework to help employees achieve their potential and contribute to building a supportive corporate culture. As a responsible employer, the Gazprom Group has adopted an HR approach compliant with Russian law, conventions of the International Labor Organization, the HR Management Policy and other internal documents.

Gazprom has a group-wide Comprehensive HR Management Performance Improvement Program for 2016–20 covering the following areas:

- Human resource planning;
- Recruitment and staffing;
- Employee training and development;

- Employee motivation;
- Corporate communications;
- Information support.

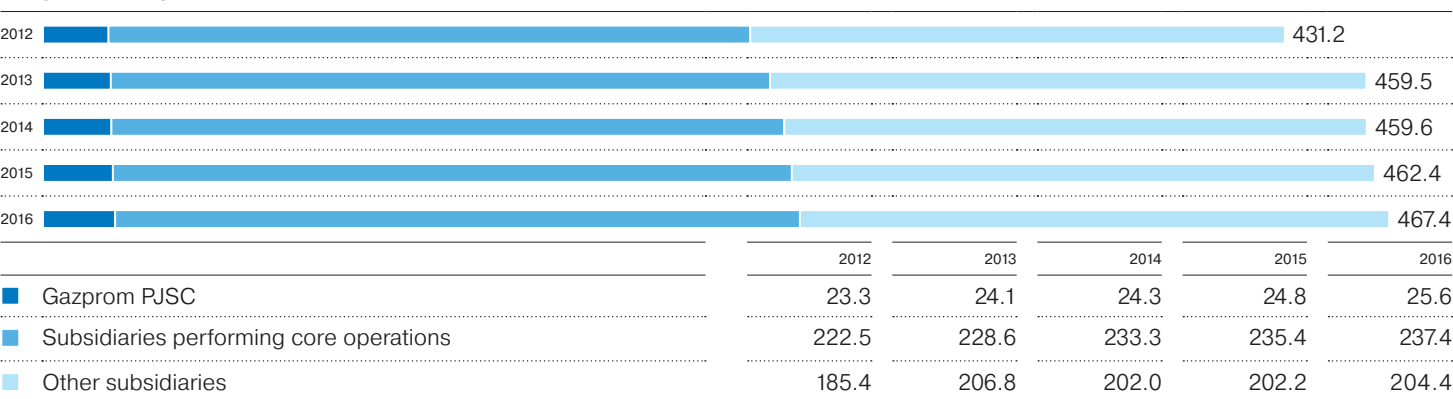
In 2016 Gazprom had a total of 467,400 employees globally, including 65,900 new hires; the employee turnover rate was 4%.

Employees aged from 30 to 40 years account for the largest single share of the Group's headcount.

Due to the nature of the Group's business, most of its employees (72%) are men.

Gazprom PJSC core subsidiaries employ a total of 237,400 people, with the majority of employees engaged in the transportation and production segments.

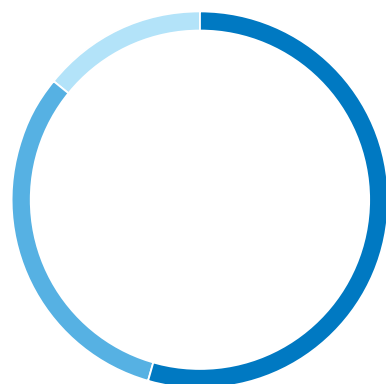
Gazprom Group headcount in 2012–16, thousand



Gazprom Group employees at 31 December 2016 by age, %



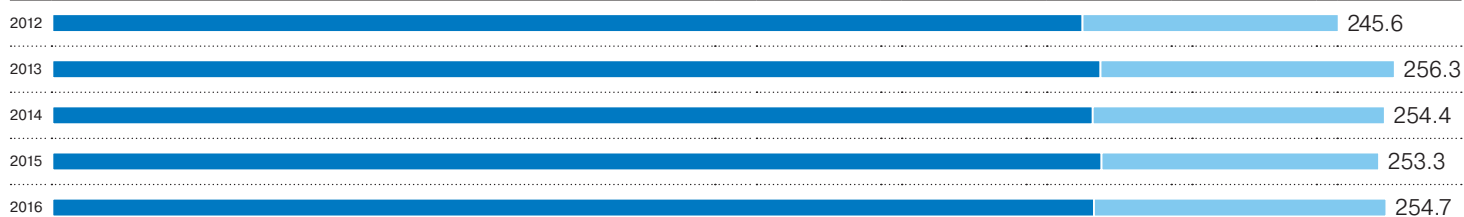
### Gazprom Group employees at 31 December 2016 by category, %



Blue-collar workers	54.5
Professionals and other employees	31.6
Managers	13.9

### Gazprom Group blue-collar staff in 2012–16

Average headcount, thousand

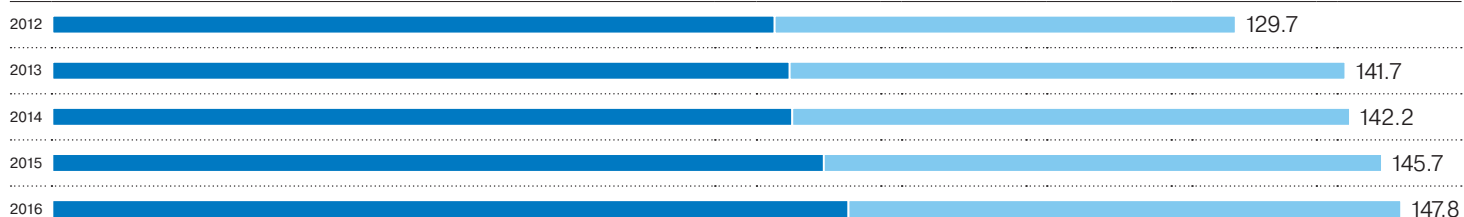


Gender, %

	2012	2013	2014	2015	2016
Male	80	78	78	79	78
Female	20	22	22	21	22

### Gazprom Group white-collar staff in 2012–16

Average headcount, thousand

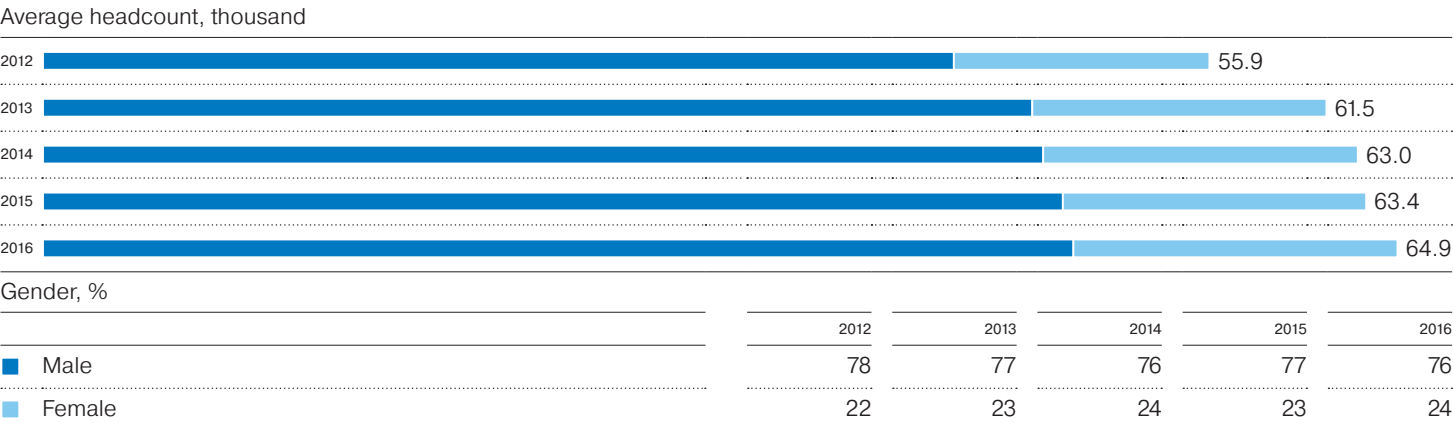


Gender, %

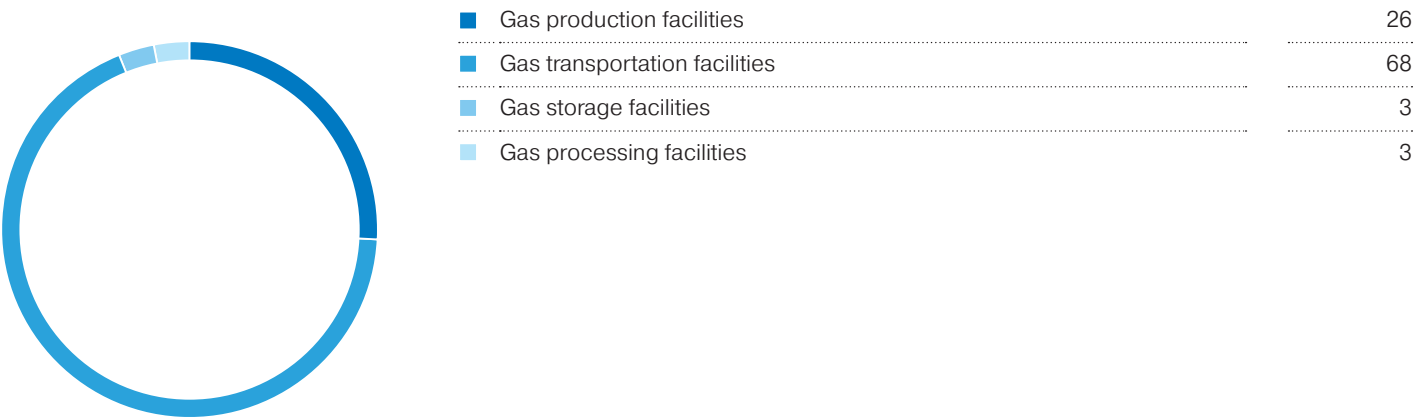
	2012	2013	2014	2015	2016
Male	61	57	57	58	59
Female	39	43	43	42	41



Gazprom Group executive staff in 2012–16



Staff distribution in the gas segment broken down by type of operation (at subsidiaries performing core operations) in 2016, %

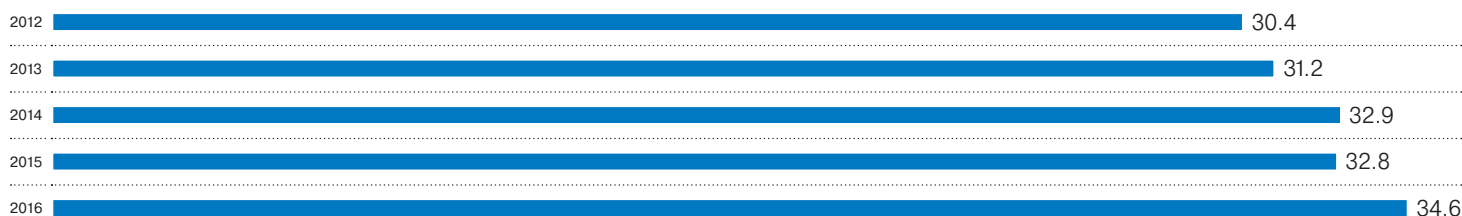


Due to the nature of production processes, some personnel work on a shift basis. The number of shift workers totaled 34,600, with 95% of them working in remote areas with severe weather conditions. The Group is aware of its responsibility as an employer and does whatever it takes to create comfortable working conditions for such workers, including the following:

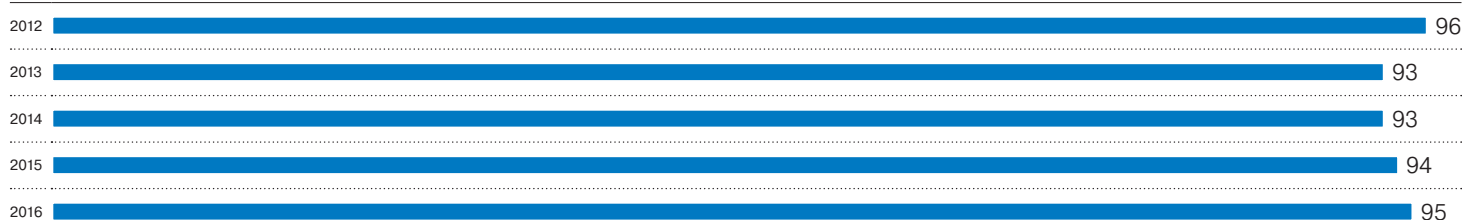
- Provides transportation to and from worksites;
- Builds camp infrastructure to provide shift workers with essential comforts while working away from home;
- Provides health care and other amenities;
- Rigorously monitors adherence to the established work/rest regimen.

### Number of shift workers and employees working in the Far North and equivalent areas as a share of total headcount in 2012–16

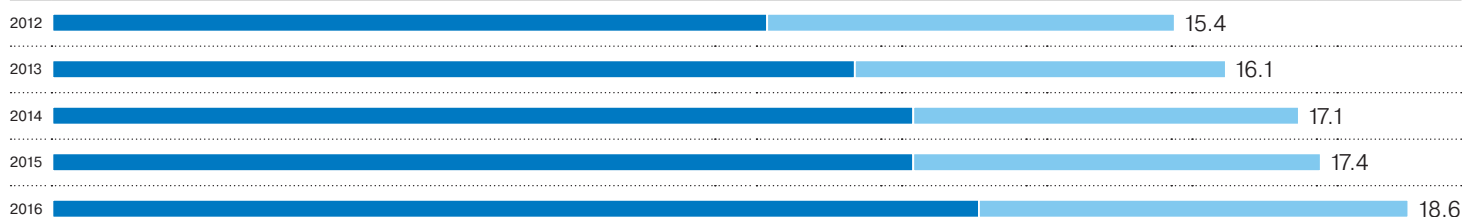
Number of shift workers, thousand



Employees working in the Far North and equivalent areas, %

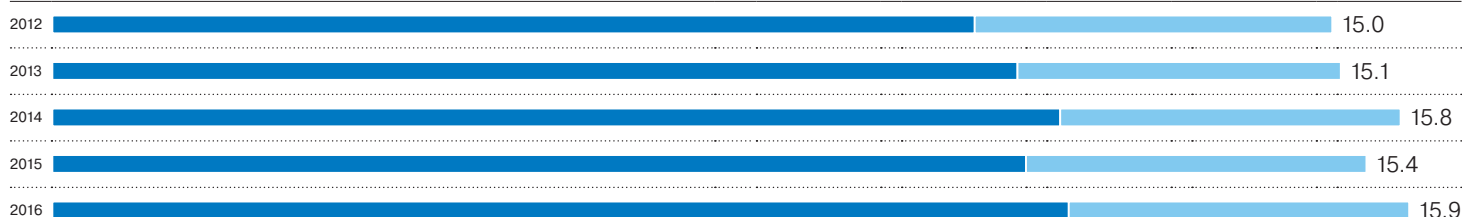


### Inter regional shift workers' headcount in 2012–16 by category, thousand



	2012	2013	2014	2015	2016
Blue-collar workers	9.8	11.0	11.8	11.8	12.7
Professionals	5.6	5.1	5.3	5.6	5.9

### Intra regional shift workers' headcount in 2012–16 by category, thousand



	2012	2013	2014	2015	2016
Blue-collar workers	10.8	11.3	11.8	11.4	11.9
Professionals	4.2	3.8	4.0	4.0	4.0

# Employee Motivation

Gazprom appreciates the hard work of its employees and makes every effort to create the right environment for them through a number of tools, including competitive pay, social benefits, and financial and non-financial rewards for top performers.

**Core elements of Gazprom Group’s motivation system**

Financial incentives

- Fixed pay comprising base salary, and extra payments and allowances provided under applicable law and corporate standards
- Variable pay comprising one-time performance bonuses and holiday bonuses

Non-financial incentives

- Social support comprising health insurance, mortgage-based housing schemes, corporate pension insurance, one-time allowances, benefits and compensations
- Other incentivization tools comprising professional excellence contests, team-building events and sports events

## Financial Incentives

In 2016 Gazprom PJSC approved a group-wide Employee Remuneration Management Policy to establish a uniform remuneration and incentivization framework.

Under the Policy, Gazprom Group companies use a time-rate-plus bonus payment scheme based on the Unified Wage Rate Schedule, and an individual time-rate system based on the organization’s salary grade structure. In addition to basic salary, employees receive monthly performance bonuses, extra payments and allowances (depending on working conditions and workload), one-time excellence bonuses, and year-end performance bonuses. The bonus amount depends primarily on the employee’s contribution to the total effort of the organization.

The remuneration of employees working in the Far North and equivalent areas is adjusted for regional coefficients (up to 1.8) and allowances (up to 80% of basic salary) depending on the region.

From 1 January 2016, basic salaries and wage rates for employees of Gazprom PJSC and its Russian subsidiaries were increased by 7.4 %.

### 2.2.2.

## Non-Financial Incentives and Social Partnership

Improved employee loyalty and motivation through non-financial incentives are at the top of the Gazprom Group's HR agenda. One of the key enablers to reach the set goals is social partnership aimed at building equitable employer-employee relations.

In its social and labor relations, Gazprom adheres to applicable labor laws, industry agreements<sup>(10)</sup>, the General Collective Agreement of Gazprom PJSC and its subsidiaries for 2016–18, collective bargaining agreements and other local regulations of Gazprom Group companies.

Gazprom Interregional Trade Union, which is part of Russian Oil, Gas and Construction Workers' Union, is tasked with representing the interests of the employees of the Company, its core subsidiaries and affiliates.

The key document regulating the social policy of Gazprom PJSC and its 28 core subsidiaries is the General Collective Agreement, which maps out the route towards effective social partnership along the following lines:

- Promoting and enhancing social partnership through constructive dialogue between the parties;
- Encouraging employees to improve their performance and achieve the Company's targets through the fulfillment of mutual obligations;

144,586 employees  
were the subject of contributions  
to the Corporate Pension Insurance Program in 2016,  
up 1% y-o-y

- Harmonizing approaches to protecting employee interests on various fronts, such as remuneration, employment, occupational safety, benefits, guarantees and compensation payments;
- Building an effective mechanism to maintain social stability across Gazprom PJSC and its subsidiaries.

The Company has a mortgage-based corporate housing program; 23,900 current and retired staff members benefited from it in 2016, including 2,900 newly enrolled participants.

Wellness and preventive health care programs for employees and their family members are an important element of non-financial motivation. Among other benefits, the Company offers treatment at health resorts and rehabilitation centers to employees when there are medical reasons.

The Company has a corporate pension insurance program, aligned with the National Long-Term Policy Frameworks for Pension Insurance, which rests on the following principles:

- Employees become eligible for pension payments from enrollment into GAZFOND Non-State Pension Fund as soon as they reach the statutory retirement age, provided that they have a minimum of 10 years of service with the Gazprom Group;
- The size of non-state pension depends on the employee's length of service, corporate achievements and level of fixed pay;
- Pension contributions are paid for by the employer.

126,813 retirees  
received payments  
from the Corporate Pension Insurance Plan in 2016,  
up 6% y-o-y

Gazprom holds professional excellence contests to drive employee motivation and professional development, as well as to enhance the prestige of skilled professions across core businesses. Contests in 2016 included the following:

- Gazprom PJSC 2016 Award for Best Pipeline Corrosion Technician, a contest hosted by Gazprom Transgaz Yekaterinburg LLC;

- Gazprom PJSC 2016 Award for Best Electrician and Electrical Repairman and Gazprom PJSC 2016 Award for Best Gas Distribution Operator, contests hosted by Gazprom Transgaz Saratov LLC;
- Gazprom PJSC's 17<sup>th</sup> Computer Design and IT Contest, hosted by the Gazprom Corporate Institute branch;
- Best Environmental Practice/Officer Award, a contest held among Gazprom PJSC subsidiaries.

(10) The 2014–16 Industry Agreement for Companies Engaged in Oil and Gas Production and Construction Activities and the 2013–15 Industry Tariff Agreement for Russia's Electric Power Sector (extended for 2016–18).

# Corporate Culture and Communications

Gazprom is committed to promoting a supportive corporate culture. The Group regularly holds various professional, artistic, sports and team-building events for its employees, which help to promote better cohesion, create a comfortable working environment, and increase employee motivation and engagement. The fundamental principles of the Group’s corporate culture, including its core values and employee rules, are enshrined in the Gazprom PJSC Code of Corporate Conduct.

- Gazprom PJSC and its subsidiaries have a robust network of communication tools to maintain effective communications with employees, including the following:
- Corporate websites of Gazprom PJSC and Group companies;
  - Corporate periodicals, such as Gazprom Magazine, Gas Industry Magazine and Gas Industry Workforce Almanac, and regional corporate media;
  - Corporate information and reference systems.

## Gazprom PJSC corporate values

Professionalism	In-depth specialized knowledge, timely and quality execution of assigned tasks, ongoing expansion of existing knowledge and skills
Personal initiative	A proactive and committed approach to achieving an optimized workflow
Care	Responsible and careful use of corporate property, being mindful of one’s own time and the time of others
Mutual respect	A strong team spirit, trust, civility and cooperation in performing assigned tasks
Openness	Open and candid communication, willingness to work together to find the best solution
Continuity	Harnessing the skills and experience of older generations, teaming between young and veteran staff members, professional training and mentoring
Image	Tapping into a wealth of techniques and strategies to create a positive perception of the Company

# Professional Development

## 2.4.1.

## Continuing Professional Training

Maintaining a high level of expertise among employees is a primary focus of Gazprom's HR policy.

Gazprom PJSC employs a Continuing Corporate Professional Training System (CCPTS), which is based on several fundamental principles: alignment with corporate objectives, continuing education and training, an integrated and individual approach to each employee's training, and training effectiveness. The CCPTS offers the following three types of training:

- Mandatory training. Training aimed at acquiring the expertise necessary for certain positions or professions to ensure compliance with government and corporate regulations;
- Targeted (advanced) training. Advanced training, which may be required due to improvements in business processes, the commissioning of production facilities, the introduction of new equipment and technology, an upcoming appointment to another position, or the involvement in a mentoring program for young professionals;
- Regular training. Training aimed at acquiring additional skills and knowledge, or improving existing competencies.

Over 337,000 Gazprom Group employees took part in training and retraining programs in 2016. Gazprom PJSC training programs are also conducted at universities and vocational schools. The number of employees undertaking such training rose by 13% y-o-y to 10,454. The average training time per employee in core subsidiaries totaled 88.9 hours for blue-collar workers and 36.5 hours for white-collar workers, compared with 85.7 and 37.1, respectively, in 2015.

Corporate training is held at four training institutions: the Gazprom Corporate Institute, Private Institution of Further Vocational Education Gazprom Training Simulator Computer Center, Private Professional Educational Institution Gazprom Vocational School Novy Urengoi, and Private Professional Educational Institution Gazprom College Volgograd. There are also training centers serving 23 core subsidiaries, which are licensed to provide specific training in 236 vocations, including 130 hazardous jobs. Gazprom Neft, Gazprom Energoholding and some other subsidiaries<sup>(11)</sup> have their own training centers.

### Gazprom Group employees completing training or retraining in 2012–16, thousand

Category	2012	2013	2014	2015	2016	Percentage change (2016 vs. 2015)
Managers and white-collar workers	91.8	155.8	128.5	142.6	161.2	+ 13%
Blue-collar workers	87.1	106.0	136.6	151.5	176.3	+ 16%

### Vocational education and training cooperation with international oil and gas companies

Gazprom works closely with its international peers, including Uniper, Wintershall Holding GmbH, Nederlandse Gasunie B.V., ENGIE, Royal Dutch Shell, Petrovietnam, Linde AG and DNV, to explore ways to improve corporate training practices. The IBC Committee on Human Resources, Education and Science is used as a platform for exchanging experience. The parties run around 30 joint educational initiatives, which involved 270 Gazprom PJSC professionals in 2016. Uniper, ENGIE and Petrovietnam employees take internships at Gazprom entities.

(11) Gazprom Energo LLC, Gazprom Tsentrremont LLC, Gazprom VNIIGAZ LLC, and Gazprom Flot LLC.



With its strong emphasis on professional training, Gazprom Neft Group continuously expands training programs and improves its training infrastructure. Some of the 2016 highlights include the following:

- The establishment of the Corporate University, comprising faculties and departments staffed with external experts and internal trainers (10 departments opened in 2016, with 20 more to follow);
- The inauguration of the Educational Environment Corporate Forum (150 participants) and the Territory of Knowledge Conference (100 participants);
- The Launch of Shelf Project, a special program to learn international and domestic best practices for offshore oil and gas operations (50 participants);
- 2,547 employees completed training at the Professional Growth Center (PGC) within the Upstream Division, up 14% from the year earlier;
- PROmovement, a three-stage program for the development of project skills in exploration and production, was continued in 2016 (81 participants); the program won the SKOLKOVO Trend Award 2016;
- Knowledge and Innovation Management System (KIMS),

a dedicated knowledge portal designed to inform employees about training and development opportunities, continued to be a popular tool attracting 60,000 corporate users in 2016.

Gazprom Energoholding also organizes various training and educational events for its employees, and makes efforts to improve its corporate learning and development system:

- Transition to a unified remote learning and development system started in 2016; the system is set to serve as a single point of reference for over 45,000 corporate users to gain access to a wealth of resources, including mandatory learning, training in managerial and personal business competencies, performance assessment tools, knowledge and idea management, e-library, etc.;
- Two new corporate programs, Chief Engineer School and Internal Trainers, were launched;
- Over 17,000 employees completed training at corporate training centers and institutions;
- The Mosenergo TPP-26 team won Russia's Best Energy Team Award, an open contest among thermal power plant operators. Internship programs were organized for KOGAZ, PetroVietnam and ENGIE employees.

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#### 2.4.2.

## Talent Pool and Leadership Pipeline

To ensure smooth leadership transition, the Group makes consistent efforts to build a talent pool of highly qualified candidates with leadership skills.

In accordance with the group-wide HR Management Policy, management positions at all levels are mostly filled with candidates from a leadership talent pool.

Gazprom PJSC carried out targeted training in 2016 under the following two-year programs:

- Gazprom MBA: Management of an Oil and Gas Corporation in the Global Environment (St. Petersburg State University of Economics);
- Gazprom MBA: HR Management (Gazprom Corporate Institute);
- Management of a Global Energy Company, Talent Pool School, Company Management (Gazprom Corporate Institute).

Gazprom Neft also made significant progress towards building a group-wide talent pool in 2016. Its Talent Committee met regularly

to select the most suitable candidates for the talent pool based on their annual performance. The performance assessment process was improved. Out of 14,200 employees assessed in 2016, 2,020 succession candidates for 990 management positions were approved. As many as 85 succession candidates were appointed to key management positions in the head office alone, while 60 more candidates were promoted.

Gazprom Energoholding has established a new model of managerial and personal competencies drawing on the approach adopted by Gazprom PJSC. The model covers five core competencies and 16 supplementary competencies across five job clusters, including both white-collar and blue-collar jobs. Gazprom Energoholding conducted a group-wide survey among 3,345 employees to identify the most valuable competencies and tested the new model at MOEK PJSC.

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#### 2.4.3.

## National Qualifications Framework

The development of the national qualifications framework is high on Gazprom PJSC's agenda. The Company is closely involved in establishing and applying new professional standards for the domestic oil and gas industry.

PJSC Gazprom helped to draft professional qualification standards for the following jobs, which were approved by the Russian Ministry of Labor and Social Protection in 2016:

- Operator of gas processing plants;
- Operator of oil, gas and condensate production equipment;
- Operator of underground gas storage facilities;
- Operator of gas pressure regulation and metering stations and distribution facilities.

Gazprom was recognized by the Russian Energy Ministry in 2016 for its contribution to the national qualifications framework.

# Young Talent Management

Gazprom’s HR Policy focuses — among other priorities — on attracting young talent to the oil and gas industry and helping them to achieve their professional and personal potential, and on strengthening Russia’s scientific standing.

The Gazprom Group partners with major domestic universities, including by means of specialized departments, which it opens on

their premises. Gazprom currently supports 26 specialized departments at 13 universities<sup>(12)</sup>. Gazprom PJSC subsidiaries have Councils of Young Researchers and Specialists, which are designed to empower young talent and encourage their engagement in creative scientific initiatives.

Partner universities of the Gazprom Group in 2016 <sup>(13)</sup>	
— Gubkin Russian State University of Oil and Gas	— Bauman Moscow State Technical University
— Saint Petersburg State University of Economics	— National Research University Higher School of Economics
— National Research Tomsk Polytechnic University	— Tyumen Industrial University
— Ukhta State Technical University	— Ufa State Oil Technical University
— Kazan National Research Technological University	— Saint Petersburg State Marine Technical University
— Saint Petersburg Mining University	— Lomonosov Moscow State University

Number of targeted students in specialized departments and graduates employed by Gazprom in 2012–16

Students/graduates	2012	2013	2014	2015	2016	Percentage change (2016 vs. 2015)
Graduates employed	1,790	1,830	2,409	2,553	2,743	+7%
Targeted students	932	1,054	1,396	1,576	1,922	+22%

Owing to extensive support from Gazprom, the number of apprentices and interns engaged by Gazprom entities and core subsidiaries under apprenticeship and pre-graduation internship programs grows every year, with 14,278 students enrolled in 2016.

Recognizing the challenges faced by young people starting work, the Gazprom Group makes every effort to build an effective mentoring culture. Gazprom PJSC runs the Young Specialist Training School, a special training program for new hires that helps them to learn about corporate traditions and acquire the knowledge and skills

they need in their job. The Gazprom Group also has a three-year adaptation program for young professionals termed Three Milestones.

The Group regularly holds events for young employees, including contests, forums and conferences. In 2016 Gazprom partnered the Youth Day event, organized on the sidelines of the St. Petersburg International Gas Forum. The event attracted participants from major domestic energy companies and over 200 students from 20 universities. Gazprom Neft supported the Future Intellectual Leaders of Russia National Forum in 2016.

Universum’s 2016 Most Attractive Employers ranking based on student surveys in Russia	
Business/Commerce	Engineering / Natural Sciences
Gazprom (No. 1)	Gazprom (No. 1)
Gazprom Neft (No. 3)	Gazprom Neft (No. 2)

(12) For details, see the relevant section of Appendix 2.  
(13) As per the Gazprom PJSC Innovation 2025 Program.

### Gazprom Group innovation contests for young talent in 2016

Sponsor	Contest description	Key results
Gazprom PJSC and core subsidiaries	Gazprom PJSC Best Young Innovator, a contest of innovation proposals to improve operating efficiency	<ul style="list-style-type: none"> <li>— 83 contestants qualified to the final round.</li> <li>— Realized savings from innovation proposals totaled around RUB 96 million.</li> </ul>
Gazprom Neft Group	A science and technology conference aimed at inspiring innovative thinkers	<ul style="list-style-type: none"> <li>— Over 500 submissions were made.</li> <li>— 105 submissions qualified to the next stage.</li> </ul>
Gazprom Energoholding	The 5 <sup>th</sup> Contest for Young Professionals and Innovators to assess corporate entrepreneurship and innovation performance	<ul style="list-style-type: none"> <li>— 397 contestants competed in qualification rounds.</li> <li>— The finalists of the 5<sup>th</sup> Contest for Young Professionals and Innovators were put forward for the 2016 International Research, Technology and Innovation Contest, which is focused on driving innovation in the energy sector and extractive industries. Three of the finalists became first-prize winners. Awards were also given to Gazprom Energoholding LLC, Mosenergo PJSC, Ryazanskaya GRES (a branch of OGK-2 PJSC), Kirishskaya GRES (a branch of OGK-2 PJSC), and TGK-1 PJSC.</li> </ul>

### Specialized classes at secondary schools

Support for secondary education is one of the key building blocks of a strong talent pool. Gazprom PJSC, its core subsidiaries and the Gazprom Neft Group have been opening specialized classes at secondary schools in the last few years to train future engineers. Students in such classes receive in-depth training in core disciplines (Physics, Maths, Chemistry and Computer Science), learn about oil and gas production processes, and gain knowledge about Gazprom's corporate history and culture.









3

Gazprom  
is Responsible  
for Health  
and Safety



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**Gazprom puts safety and the protection of human lives at the center of its operations and makes constant efforts to meet its occupational health and safety (OHS) commitments.**

**Gazprom maintains a safe working environment for its employees and complies with all laws and regulations on occupational and industrial safety. Gazprom strives to eliminate work-related injuries, and to prevent accidents and minimize their impact thus ensuring the safety of its partners, contractors and members of local communities.**

**Gazprom engages with contractors to improve occupational and industrial safety and ensure compliance with relevant laws and regulations.**

**Gazprom works to promote a safety-focused culture where employees understand and see the value of safety.**

**Gazprom's unwavering commitment to occupational health and industrial safety is the guarantee of people's health and wellbeing.**

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### Examples of cooperation

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#### Employees

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- Conducting OHS training for employees
  - Creating a safe working environment and performing a Special Assessment of Working Conditions
  - Engaging employees in safety partnership through participation in joint committees and commissions
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#### Russian government authorities

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- Cooperation Agreement with the Federal Environmental, Technological and Nuclear Supervision Service
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#### Business partners

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- Promoting OHS initiatives in collaboration with Wintershall Holding GmbH and Shell
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#### Mass media

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- Over 500 publications in national, regional, local and corporate media on the Year of Occupational Safety
-

# Year of Occupational Safety

Reducing work-related injuries and maintaining a safe working environment are on Gazprom's top priority list. For that reason, 2016 was declared the Year of Occupational Safety at Gazprom.

Below are the fundamental goals set for 2016 as the Year of Occupational Safety:

- Fostering a safety-focused culture;
- Creating conditions for achieving a zero fatal injury rate;
- Protecting the health and safety of employees;
- Improving working conditions.

The Group made significant efforts to improve its OHS regulatory framework, increase health and safety literacy among employees, and strengthen cooperation with federal authorities and educational institutions to promote safe work practices.

The Year of Occupational Safety was marked by the following achievements:

- The Gazprom PJSC 2020 Development Strategy & Target Occupational Safety Program was compiled;
- 721 OHS events were held across Gazprom, involving over 330,000 employees from 112 subsidiaries and over 400 contractor organizations<sup>(14)</sup>, with 5,792 training sessions organized as part of these events;
- The Industrial Safety section was created on Gazprom PJSC's website;
- Gazprom Group Guidance on the Application of Key Safety Rules was drafted, as was the Brand Style Guide were developed in response to the Year of Occupational Safety;
- Over 500 articles on the Year of Occupational Safety and its goals were published in national, regional, local and corporate media;
- Several initiatives were taken to reduce cardiovascular disease among employees, including initiatives to promote a healthy lifestyle, medical checks, first-aid training and training in recognizing the symptoms of cardiovascular disease.

The right tone for occupational health and safety is set at the top. A number of safety leadership workshops were held for Gazprom PJSC top managers and heads of Group subsidiaries to strengthen

their leading role in OHS promotion in 2016, which was declared the Year of Occupational Safety. At Gazprom Neft Group, over 600 executives completed behavioral audit training, and 2,000 managers participated in communication sessions for Top 1,000 executives. Various training events, including training exercises, workshops and briefings, were held for Group employees during the year<sup>(15)</sup>.

Workshops were mostly focused on occupational safety priorities and steps that are required to make sure that health and safety become the key corporate value for every employee.

Group subsidiaries also put a strong focus on OHS training of managers and employees.

During the Year of Occupational Safety, special events were organized for young professionals and students of industry-focused universities, as well as for schoolchildren and preschoolers. Group subsidiaries held youth meetings, and open lessons at schools and kindergartens. One of the most notable initiatives in 2016 was Stairs, a research project contest themed around safety at home and work for schoolchildren attending Gazprom Classes<sup>(16)</sup>. A total of 15 projects were submitted by contestants from 13 schools. The award was given to a project entitled "Household Gas: Application and Safe Use".

Corporate games, contests and team-building events have proved to be an effective means of promoting OHS awareness among employees. Among the initiatives in 2016 were the following:

- A safety-themed poster contest, with Gazprom Dobycha Nadym LLC, Gazprom Transgaz Surgut LLC, and Gazprom Transgaz Saint Petersburg LLC winning the top three spots;
- The Best in the Profession competitions for auto mechanics, process plant operators, pipelayer operators, firemen, gas distribution station operators, arc and gas welders, instrument repairmen, fitters, OHS engineers, safety supervisors and others.

Building on the success and positive feedback from these events, Gazprom intends to launch another initiative in 2017 — the Safety Champion Organization contest among subsidiaries.

## Snowmobile run

Gazprom PJSC, Gazprom Dobycha Nadym LLC, Gazprom Dobycha Urengoy LLC and Gazprom Dobycha Yamburg LLC held a team-building event in April 2016 to strengthen a safety-focused corporate culture. The event's program featured a snowmobile run through production sites in the Nadym and Purovsky Areas of the Yamal-Nenets Autonomous District, covering 518.8 kilometers. The event attracted 37 participants who showcased their knowledge of OHS.

(14) For details, see the Improving Contractor Safety Performance section.

(15) For details, see the Occupational Health and Safety Compliance section.

(16) For details, see the Talent Pool and Leadership Pipeline section.

### OHS Summary Meeting — 2016

As in the previous years, in 2016 Gazprom PJSC held an annual summary meeting to assess OHS performance across the Gazprom Group in 2015, including spill, leak, fire and explosion prevention, and set the targets for 2016.

The meeting was attended by 230 participants, including Gazprom PJSC Administration officers, chief engineers, OHS directors of Group subsidiaries, trade union representatives, and government officials.

In response to the Year of Occupational Safety, the format of the meeting was modified significantly to include roundtables on top industrial safety issues, visual demonstrations of fall-protection solutions for high-rise operations and state-of-the-art safety techniques for employees working in hot environments and gas rescue crews at Gazprom PJSC hazardous production sites.

To improve OHS performance across the Group and the wider industry, Gazprom engages on safety-related issues with its peers and specialized organizations both within and outside Russia. As part of its extensive efforts in 2016 towards improved OHS performance, Gazprom:

- continued to work closely with Shell under the OHS Cooperation Memorandum signed in 2015;
- signed a Cooperation Agreement with the Federal Environmental, Technological and Nuclear Supervision Service;
- held two OHS working sessions with Wintershall Holding GmbH;
- took part in the International Labor Organization's Tripartite

Meeting on occupational health and safety and qualifications of personnel engaged in oil and gas operations in Arctic and Sub-arctic regions of the Northern Hemisphere;

- participated in Russia's Second National Occupational Health and Safety Week.

Gazprom PJSC was awarded the Grand Prize in the Health and Safety — 2016 contest in recognition of its outstanding efforts during the Year of Occupational Safety. The Company's performance in the category of Design and Implementation of Effective Occupational Safety Management Systems was highly praised by the Russian Ministry of Labor and Social Protection.

### The Second National Occupational Health and Safety Week

Gazprom Group companies participated in National Occupational Health and Safety Week, which was held in Sochi in April 2016, to discuss a number of issues dealing with occupational safety, comfortable working conditions and employee health, including the current trends and outlook.

Gazprom supported a number of roundtables dedicated to the substitution of foreign-made personal protective equipment, best corporate practices for mitigating transport accidents, and the use of automated safety control systems. Gazprom and Shell took part in a roundtable entitled Corporate Culture as a Key Enabler of Occupational Safety to discuss a number of issues, including the role of safety in the Company's business agenda and examples of best practices.

During National Occupational Health and Safety Week, the winners of the two national contests, Success and Safety — 2015 and Health and Safety — 2015, were announced. Among the winners were 38 Group subsidiaries, including Gazprom Dobysha Astrakhan LLC, Gazprom Dobysha Yamburg LLC, Gazprom Transgaz Samara LLC and Gazprom Transgaz Ukhta LLC, which were awarded Gold Medals. The Gazprom Neft Group was also recognized for its OHS achievements: its remote learning course "Health and Safety in the Office" was awarded the first place in the Health and Safety — 2015 contest.

# Occupational Health and Safety Management

Gazprom places a strong focus on OHS because it primarily operates hazardous production facilities. Group companies base their OHS management activities on the provisions of the Russian Labor Code, Federal Law No. 116-FZ “On Industrial Safety of Hazardous Production Facilities”, Federal Law No. 69-FZ “On Fire Safety”, as well as on a number of internal regulations, adopted both at the group-wide and local levels.

Gazprom has an OHS Policy, approved in 2014, which sets out the key goals for occupational health and safety, including the following:

- Providing a safe working environment and protecting the health and safety of employees;
- Ensuring the reliable operation of hazardous production facilities;
- Reducing the risk of accidents at hazardous production facilities.

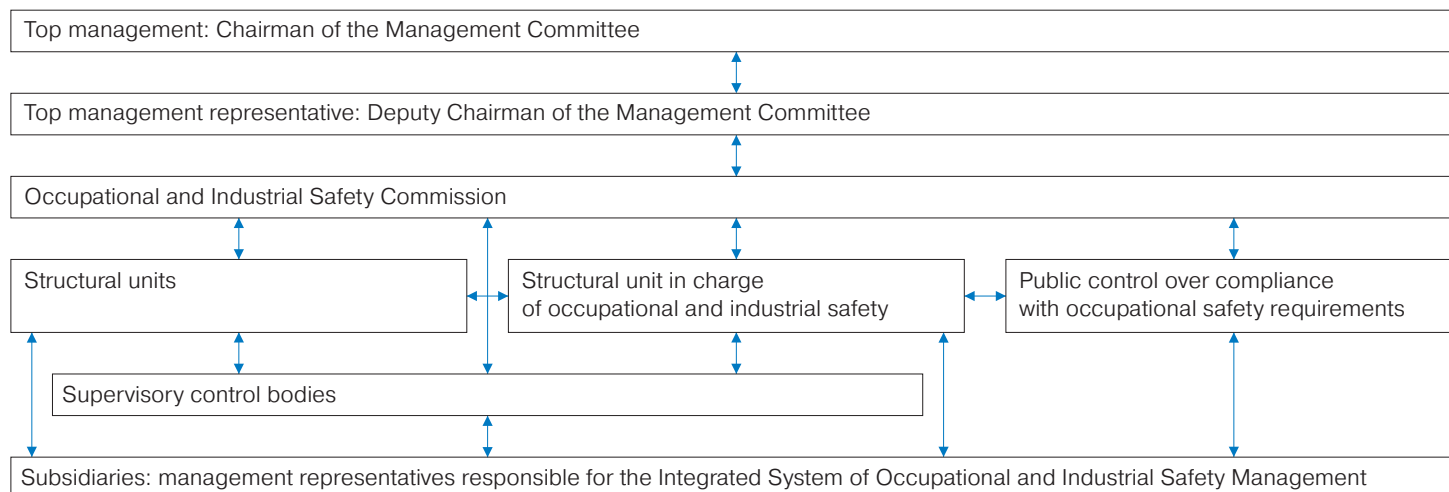
The Policy’s provisions are implemented via the Unified Occupational Health and Safety Management System, comprising a set of regulations, activities and guidelines that establish a unified process framework for all Company employees to promote a safe

and healthy working environment. The Unified Occupational Health and Safety Management System encompasses Gazprom PJSC, its major subsidiaries engaged in the exploration, production, processing, transportation and underground storage of natural gas and the generation of electricity and heat, as well as subsidiaries supporting the operation of Russia’s UGSS. The System also applies to the administration department of Gazprom PJSC and 112 subsidiaries with a total headcount of over 325,000 employees.

The Industrial Safety Commission is responsible for the management of the Unified Occupational Health and Safety Management System. Its main objectives are to:

- Ensure compliance with the Policy and update it;
- Develop recommendations for the Company’s compliance with Russia’s OHS regulations;
- Review OHS performance and the efficiency of the Unified Occupational Health and Safety Management System;
- Assess subsidiaries’ practices designed to provide a safe working environment and increase industrial safety.

## Structure of the Unified Occupational Health and Safety Management System at Gazprom PJSC and its main subsidiaries



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Gazprom Gazobezopasnost LLC, which turns 45 years old in 2017, is responsible for OHS performance monitoring, as well as the supply of personal protective equipment to the Company's sites and their quality control. Gazprom Gazobezopasnost LLC is the Group's main emergency response provider on the list of crews on permanent alert in Russia's national emergency prevention and management system.

Improving the safety and stability of the Unified Gas Supply System's infrastructure and conducting environmental monitoring are functions within the scope of Gazprom Gaznadzor LLC, a separate company.

The Unified Occupational Health and Safety Management System was accredited to the OHSAS 18001:2007 standard in 2014 in respect of activities covered by OHS processes, including oil and gas exploration, development, transportation, storage, processing and sales, and power and heat generation, distribution and transmission. The certificate covers the administration department of Gazprom PJSC and 43 subsidiaries. Accreditation to international standards is an important priority for Gazprom, and it plans to obtain accreditation for some non-core activities as well. Around 272,000 employees worked at Gazprom PJSC and those subsidiaries that successfully passed accreditation in 2016.

Gazprom places a strong focus on developing its United Occupational Health and Safety Management System. The system incorporates best international practices, as well as risk-based safety management methods, an internal control framework and procedures for mandatory review by the Company's governing bodies. The Group is set to enhance further its United Occupational Health and Safety Management System to tailor it to ISO 45001, a new international standard currently under development.

Gazprom Neft PJSC has implemented an integrated OHS system that conforms to the OHSAS 18001, ISO 14001 and ISO 9001 standards and is designed for the management of both environmental issues and health and safety. Gazprom Neft PJSC has also adopted an Environment, Health and Safety Policy, designating the Industrial Safety Department of the Corporate Center as its managing authority, and has set up an Environment, Health and Safety Council.

Gazprom Energoholding LLC relies on its OHS framework, an underlying document setting out OHS policies for all production companies. The CEOs of the power generating companies are responsible for their enforcement, while specific activities are coordinated by chief engineers of the companies and power plants.



# Management of Occupational Health and Safety Compliance

The Group continuously improves production processes, runs OHS training programs for employees, and regularly performs a Special Assessment of Working Conditions to ensure operational stability and create a safe working environment.

Building a strong safety culture and raising employees' awareness of their health and safety responsibilities are top priorities on the Group's OHS agenda. As a result of OHS training courses, instructions and exercises organized by the Group in 2016:

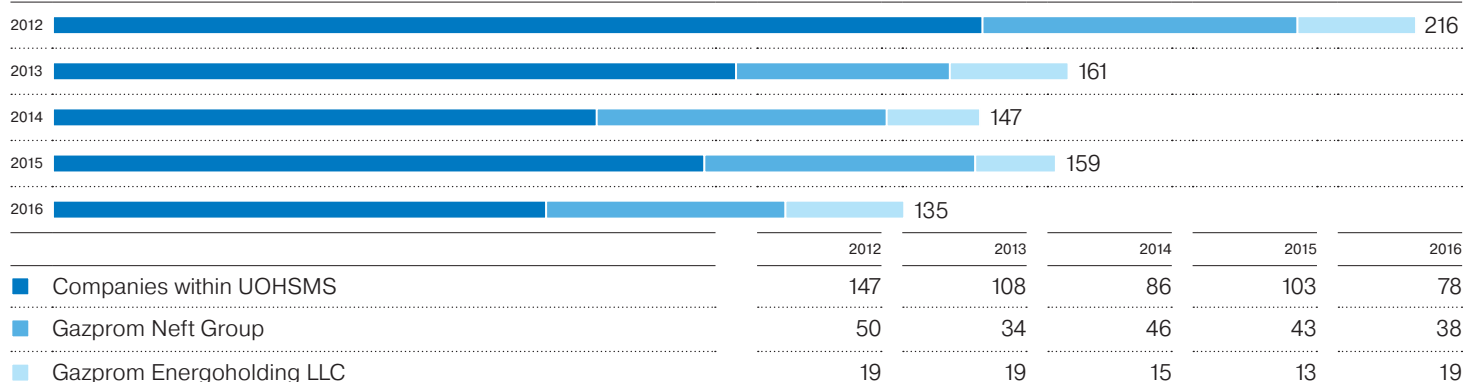
- 56,082 employees of core subsidiaries within the scope of the Unified Occupational Health and Safety Management System were accredited in industrial safety, while 248,373 employees took OHS tests;
- 9,016 employees of Gazprom Energoholding LLC attended a mandatory OHS course, while 1,738 participated in voluntary educational initiatives.

Key health and safety initiatives include the Special Assessment of Working Conditions, which remains valid for five years. Such an assessment was conducted at Gazprom PJSC and its subsidiaries

operating in the natural gas segment in 2016 to evaluate the safety of 54,000 jobs. The other 150,000 jobs were assessed between 2012 and 2015. The share of jobs with harmful and/or dangerous conditions has declined from 40% to 22% since 2012.

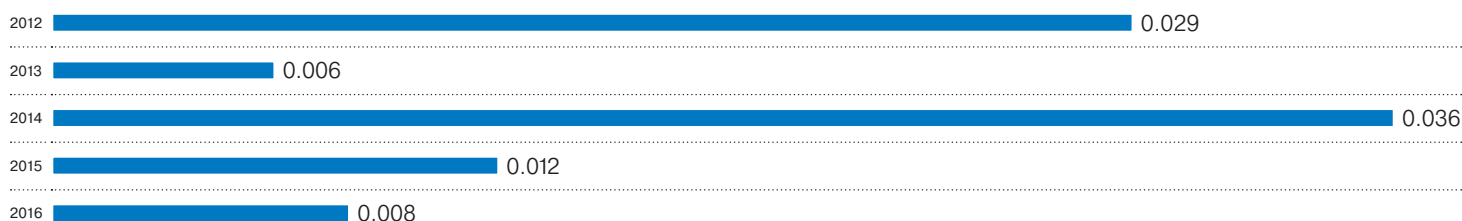
The Group's consistent focus on improving workers' health and safety helps prevent incidents and accidents: the number of on-the-job injuries declined by 15% to 135 in 2016 compared with the previous year. Despite all efforts made by Gazprom, there were several fatalities: eight workers died in 2016 (nine in 2015), including four workers of Gazprom PJSC (seven in 2015), three workers of Gazprom Neft PJSC (two in 2015), and one worker at Gazprom Energoholding LLC (zero fatalities in 2015). The Group investigated all incidents and took measures to prevent them from reoccurring. The Group's main goal is to achieve zero incidents. Violations of road traffic rules, poor management of production processes, disciplinary violations and workers' careless attitude to safety rules were the most common causes of incidents in the reporting period.

**Number of workers receiving work-related injuries at the Group in 2012–16**

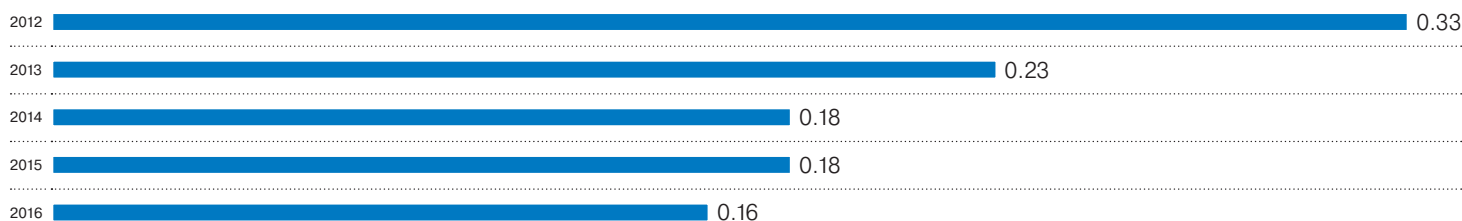


**Fatality and lost time injury rates  
at subsidiaries within the scope of the Unified Occupational Health and Safety Management System in 2012–16**

Fatal Injury Frequency Rate (FIFR)



Lost Time Injury Frequency Rate (LTIFR)



Administrative and operational control over OHS practices at sites run by the Company and its subsidiaries within the scope of the Unified Occupational Health and Safety Management System plays an important role in the prevention of injuries and other accidents. As many as 15,486 OHS inspections were carried out in 2016, with 95.5% of detected violations corrected during the year.

The Group also conducts an internal audit of the Unified Occupational Health and Safety Management System across subsidiaries on a regular basis to check its compliance with in-house and external standards.

Measures to prevent incidents, accidents and their consequences at hazardous sites run by subsidiaries within the scope of the Unified

Occupational Health and Safety Management System helped reduce the number of accidents and incidents by 17% and 29%, respectively, in 2016, compared with the previous year. A total of 10 accidents and 30 incidents at hazardous sites were recorded in 2016, including:

- 5 incidents at gas producing companies;
- 8 accidents and 14 incidents at gas transporting companies;
- 2 accidents and 11 incidents at gas processing companies.

Gazprom Neft PJSC recorded a total of 2,385 incidents and two accidents in 2016 (2,512 incidents and one accident in 2015), while Gazprom Energoholding LLC recorded 176 incidents and one accident (196 incidents and zero accident in 2015).

**Number of accidents, incidents and fires at subsidiaries within the scope of the Unified Occupational Health and Safety Management System in 2012–16**

Indicator	2012	2013	2014	2015	2016
Accidents	17	10	8	12	10
Incidents	59	73	53	43	30
Fires	15	8	7	5	4

Extensive efforts were taken in the reporting period to increase fire safety at the Company's sites. Four fires occurred at subsidiaries within the scope of the Unified Occupational Health and Safety Management System in 2016. Fire prevention initiatives were included

in the Plan of Administrative and Technical Measures to Ensure Fire Safety at Gazprom's sites in 2017. All fires were investigated, and letters were sent out to advise of their causes and preconditions.

# Improving Contractor Safety Performance

When selecting contractors, Gazprom makes sure that they have relevant licenses, permits and certificates. The Group selects suppliers and contractors on a competitive basis. To reduce contractor risks associated with procurement procedures, the department responsible for the management of corporate costs holds an open pre-qualification of suppliers to conduct a comprehensive assessment of bidders for procurement contracts.

The procedure includes a review of registration and founding documents to check their compliance with regulatory requirements. In addition, the department studies and discusses information about a bidder gathered by the corporate security service, feedback from customers and findings of on-site audits before making decisions on whether to include the company in the list of potential contractors in the Group's procurement system.

Contractors are also briefed about the Unified Occupational Health and Safety Management System when given orientation training and various permits such as safe work permits and operations certificates. In addition, contracts include clauses about the contrac-

tor's liability for violations of health, fire safety and environmental protection rules. Gazprom constantly monitors contractor performance and may punish the company with sanctions for violations of contract terms and conditions.

Gazprom closely cooperated with contractors in improving OHS practices in 2016, which was declared the Year of Occupational Safety. In particular, recommendations were developed for joint activities to improve the industrial safety culture among managers of contracting companies and companies providing services to Gazprom under agency agreements. A series of joint events were held, involving over 400 contractors.

Gazprom Neft PJSC has adopted a Stairs Program to promote corporate safety rules across contractors. A corporate contractor database and ratings in environment, health and safety and civil protection were introduced under the program in 2016. Such ratings add transparency across the supply chain and are an efficient tool in the financial and non-financial motivation of contractors.









NO.1 FOOTBALL FRIENDSHIP  
Газпром  
Earth is a ball. Football drives the planet.

Газпром  
КОРПОРАТИВНЫЙ  
ФЕСТИВАЛЬ  
ФАКЕЛ  
НАД ГАЗПРОМ

Газпром  
ГЕНЕРАЛЬНЫЙ  
СПОНСОР

Gazprom  
is Responsible  
for Local  
Communities

Газпром - ДЕТЯМ



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**Gazprom embraces social responsibility at both international and national levels, showing strong commitment to the sustainable development of regions where it operates.**

**Gazprom makes social and economic investments to improve living standards in its regions of operations. It plays an important role in local economic growth and the creation of new jobs by working with local suppliers, contractors, and small and medium-sized enterprises (SMEs).**

**The Group's contribution to the development of regions helps improve their economic prospects.**

**Cooperation with indigenous small-numbered peoples of the North is aimed at preserving their national and cultural identity, and their traditional lifestyles. Gazprom is committed to preserving the cultural heritage of local communities for future generations.**

**The Group's priorities include improving the well-being of local communities, supporting vulnerable groups, and implementing voluntary initiatives to promote sports, healthy lifestyles, and cultural heritage.**



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**Examples of cooperation**

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**Employees**

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- Team-building and sports events for employees (e.g., Gazprom's Spartakiada Games and the Fakel Festival)
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**Local communities**

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- Cooperation with representatives of indigenous small-numbered peoples of the North
  - Public hearings and consultations, charity and volunteering
  - Roundtable discussions in regions of operation
- 

**Non-governmental organizations**

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- Bilateral cooperation in many areas, including social support for vulnerable groups, the construction and development of sports infrastructure, and support for culture and spiritual renewal
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**Media**

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- Press releases, and reports of events run in regional and local media
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# Development of Regions of Presence

## Investment in Social and Economic Growth

The scope of the Group's social responsibility is largely determined by its efforts to propel the development of regions of operation and improve the local communities' quality of life. Its investment priorities in regions of operation include the following:

- Support for job growth;
- Infrastructure construction and development;
- Tax compliance;
- Cooperation with local suppliers and contractors and new opportunities for SMEs;
- Support for local communities;
- Minimizing environmental impact;
- Support for social programs;
- Charity projects and corporate volunteering programs.

Gazprom has adopted a Regional Policy Concept that provides guidance on how the Company and its subsidiaries should maintain and strengthen relations with the authorities and companies in regions of presence across Russia.

Pursuant to the Concept, the Group has built a multi-tier system of relations with Russian regions which is based on the following types of cooperation agreement:

- Tier 1 agreements concluded with regional authorities for a long period (their current geography spans 81 Russian regions);
- Tier 2 agreements concluded for short periods to outline Gazprom's commitments such as participating in regional social programs or providing finance for the construction of cultural, educational and sports facilities, homes and gas supply networks;
- Cooperation agreements for the duration of major investment projects such as the construction of pipelines and field development activities;
- Memorandums of Understanding and Cooperation signed as part of highly promising projects such as the construction of LNG plants.

### Presentation of Gazprom's activities in the Yamalo-Nenets Autonomous District

The Company's presentations of its initiatives to senior officials play an important role in strengthening cooperation with authorities in the regions of presence. During a familiarization visit to the Yamalo-Nenets Autonomous District, Gazprom representatives met with officials to brief them on the Company's core activities, high-priority projects, the natural gas market outlook, proposals for improving regional tax regulations for the benefit of the natural gas industry, and plans to expand gas supply in Russia.

### Cooperation with Amur Region authorities

A meeting between Gazprom CEO Alexey Miller and Amur Region Governor Alexander Kozlov was held at the central office of Gazprom PJSC in November 2016 to discuss progress under a cooperation agreement signed previously. A particular focus was placed on the ongoing implementation of Gazprom's two large-scale investment projects: Power of Siberia and the Amur Gas Processing Plant.

Items on the agenda also included plans to set up an advanced development zone called Svobodnenskaya and connect the region to the Power of Siberia pipeline network.

Illustrative examples of the Group's social projects include the Home Towns project started by Gazprom Neft PJSC in 2013. This social investment program envisages a series of projects aimed at improving the quality of life in cities of presence and enhancing access to

a healthy urban environment, education, culture and sports for local residents. Gazprom Neft PJSC is committed to achieving excellence in the execution of projects many of which are unique for Russia.

### Cooperation under the Power of Siberia Project

Gazprom Transgaz Tomsk LLC provides charitable assistance to municipal institutions in Sakha (Yakutia), contracts local companies to build gas pipes, and trains future gas workers. Such support is provided pursuant to a Cooperation Agreement signed between Gazprom Transgaz Tomsk LLC and the Republic of Sakha under the Power of Siberia Project.

## Support of SMEs

Cooperation with SMEs is a high priority for Gazprom as it strives to contribute to regional economic and social development.

Pursuant to a government program aimed at improving access to procurement contracts for SMEs, the Company adopted a Program for Partnership between Gazprom OJSC<sup>(17)</sup> and SMEs in 2015.<sup>(18)</sup>

Initiatives under this program include:

- Building a network of credible and highly-qualified suppliers and contractors among SMEs supplying goods or providing services to Gazprom PJSC either directly or via third parties;
- Increasing cooperation and partnerships with innovative SMEs;
- Supporting program participants and fostering their development.

The Group has simplified all procurement procedures to the greatest extent possible to ease access to its contracts for SMEs. The list of goods and services procured by Gazprom PJSC from

SMEs can be found in the Single Information System for Procurement ([www.zakupki.gov.ru](http://www.zakupki.gov.ru)).

The Group concludes around 95% of all procurement contracts awarded on a competitive basis electronically, via Gazprombank JSC's electronic trading platform. To simplify procurement procedures for small contracts, a special trading portal has been set up based on the electronic platform for contracts worth up to RUB 500,000. More than 3,100 SMEs posted their price lists there in 2016.

The number and value of contracts with SMEs increased significantly in the reporting period on the back of Gazprom's efforts to ease access to the procurement process for this sector. Gazprom PJSC concluded over 1,800 contracts worth a total of RUB 72.2 billion with SMEs in 2016, compared with over 1,100 contracts worth a total of RUB 12.4 billion in the previous year.

(17) The Company changed its legal form from open joint-stock company to public joint-stock company on 17 July 2015.

(18) For details about the program, see the Gazprom PJSC website.

## 4.1.3.

## Cooperation with Indigenous Small-Numbered Peoples of the North

Gazprom feels responsible for the future of the Northern indigenous small-numbered peoples in areas where the Group pursues projects as part of its core activities. In particular, Gazprom runs a wide range of initiatives to protect the national identity, cultural heritage and traditional activities of indigenous communities, and is committed to protecting their rights.

In line with the Cooperation Agreement between Gazprom PJSC and the Administration of the Yamalo-Nenets Autonomous District, local Group subsidiaries are engaged in state programs to support indigenous minority peoples of the North and promote their traditional trades.

Every year, Gazprom Group companies participate in annual celebrations of Fisherman's Day and Deer Herder's Day, help local communities and branches of the Association of Minority Groups of the North "Yamal for Future Generations!", hold career events, and provide support for high-performing and talented students from among indigenous minority peoples of the North who study at universities across Russia and in local vocational schools.

Before starting a project involving operations, the Group teams up with the local authorities at its design stage to conduct public discussion with representatives of indigenous small-numbered peoples of the North. This procedure enables the Group to consult the interests of local communities. For instance, a roundtable discussion on "Implementation of Operating Programs in Cooperation with Indigenous Small-numbered Peoples of the North: Rights, Obligations, Key Issues and Regulations" was held in the city of Mirny in Sakha (Yakutia) in 2016. At the event organized by Sakha's authorities, Gazprom Geologorazvedka LLC presented a report on its operating principles in the region. The meeting also focused on ethnological studies conducted by the Sakha Academy of Sciences at the request of Gazprom Geologorazvedka LLC to explore the impact from the company's exploration activities on the environment of indigenous communities.

Local subsidiaries also build reindeer passages across gas pipelines on their migration routes. Local activists help determine where such routes run. This initiative is very important to indigenous communities, for whom reindeer herding is a traditional activity and main source of sustenance.

The Group has also adopted a plan for compensating indigenous small-numbered peoples for damage done to them as a result of

operations. For instance, Gazprom Neft PJSC concludes contracts with family heads under which it provides various kinds of assistance to local indigenous communities to financially support their traditional activities, cover their basic family expenses, distribute one-time allowances, and give out fuel. Gazprom Neft PJSC also helps local farmers in areas where the company conducts exploration and development activities to help them buy equipment, fishing gear, fuel and lubricants, and building materials. When accidents occur, the company offers aid to affected families. Gazprom Neft PJSC concluded over 200 agreements with family heads of local indigenous communities in Russia's North in 2016.

The company introduced a standardized approach to cooperating with indigenous small-numbered peoples of the North for all its subsidiaries in 2016. In particular, work began to develop and implement internal regulations governing such cooperation across the company's subsidiaries, and there are plans to draw up supporting policies in 2017.

Sakhalin Energy Investment Company Ltd. won an award at the Ninth Annual International Contest and Forum of Corporate Projects — People Investor: Companies Investing in People in the Local Community Development and Volunteering category for its project aimed at preserving and promoting the cultural heritage and language of the Nivkh people who inhabit Sakhalin.

In partnership with the Regional Council of Authorized Representatives of Indigenous Small-numbered Peoples of the North in the Sakhalin Region and the regional authorities, Sakhalin Energy has been implementing a plan to provide development assistance to local indigenous communities. The key objectives of this plan are:

- Unlocking indigenous peoples' potential;
- Social, economic and cultural development;
- Preparations for the establishment of an independent fund for indigenous peoples' development;
- Disclosure of information about the environmental impact of the Sakhalin II Project.

Annual consultations are held in all areas traditionally inhabited by the Sakhalin Region's indigenous communities pursuant to the development plan. In particular, 16 public meetings were organized in 12 settlements in 2016 to inform the local communities about new initiatives, including contests, and to discuss the ongoing management and implementation of the plan and its specific programs.

### **12<sup>th</sup> Regional Festival of Northern Indigenous Peoples in the Sakhalin Region**

A festival of indigenous peoples of the North inhabiting the Sakhalin Region was held in the town of Nogliki in 2016. The festival, held four times a year, brought together over 160 people from seven districts of the Sakhalin Region, representing the Nivkh, Nanai, Evenk and Uilta peoples. Project partners included Sakhalin Energy, Gazprom Geologorazvedka LLC and Gazprom Dobycha Shelf Yuzhno-Sakhalinsk LLC.

The seventh art festival of ethnic groups and competitions in their traditional sports were held on the sidelines of the event. An arts and crafts exhibition was also organized to showcase ethnic costumes, jewelry, talismans, and other items.

"The culture, language, rituals and traditional activities of small peoples occupy a special niche in modern civilization. Our company cares deeply about preserving the historical roots, unique lifestyles and cultural values of Northern small-numbered peoples and strongly supports such initiatives," said Gazprom Dobycha Shelf Yuzhno-Sakhalinsk CEO Vladimir Krokha.

### **The Living Traditions festival of indigenous peoples**

The fourth regional arts and crafts festival of indigenous small-numbered peoples of the North inhabiting the Sakhalin Region was held in Yuzhno-Sakhalinsk in 2016. The Living Traditions festival was organized with the assistance of the regional authorities and Sakhalin Energy as part of the plan for providing development assistance to local indigenous communities.

Taking part were representatives of indigenous communities living in the Okha, Nogliki, Tymovskoye, Poronaysk and Alexandrovsk-Sakhalinsky Districts and in the city of Yuzhno-Sakhalinsk, as well as guests from Sakha (Yakutia) and representatives of the Ainu in Sapporo (Japan).

A show of traditional ethnic costumes of indigenous small-numbered peoples of the North was a hallmark of the festival. Another centerpiece of the program was a fair at which craftspeople displayed their works and conducted master classes to promote the crafts of indigenous communities.

### **The Day of Deer Herders**

The Day of Deer Herders was held in the village of Novy Port in the Yamalo-Nenets Autonomous District in 2016 for the first time in 30 years, organized with the assistance of Gazprom Neft PJSC under its Native Cities program. The event presented an opportunity for representatives of ethnic groups inhabiting the Yamal Peninsula to show their skills in traditional sports such as wrestling, jumping over sleighs, "mas wrestling" (stick pulling), and hunting. Fifty-four people competed in the main event, reindeer sleigh rides. Gazpromneft-Yamal LLC assisted with organizing the festivities and awarded prizes to the winners.

The Company provided extensive support to various initiatives, including the Days of Deer Herders in the city of Muravlenko and the villages of Khanymei, Novy Port, Khalyasavei, Tolka and Russkinskaya, the Day of Fishers in Novy Port, and the day-care ethnic camp for children of indigenous peoples of the North.

### **Day-care ethnic camp for children of indigenous communities in Russia's North**

Gazprom Neft PJSC has provided finance for the construction and equipping of a residential school for children of reindeer herders in the village of Russkinskaya in the Khanty-Mansi Autonomous Area. Apart from general subjects, the curriculum places a strong focus on traditional and other activities important for local communities such as hunting, fishing, and veterinary science. The school has a reindeer herd who migrate with a bigger herd of thousands of reindeer. When on vacation, children visit deer stopover sites to look after animals and gain specialized knowledge and skills from experienced herders.

There is a day-care ethnic camp for children of indigenous peoples of the North a few kilometers off the village of Russkinskaya. This year-round camp is a place where kids can acquire practical skills in reindeer herding, veterinary medicine, hunting, fishing and the operation of snowmobiles and other equipment in order to gain experience in everything that they will possibly need to do when they grow up.

# Social Responsibility

## Support for Culture and the Arts

The Group recognizes the important role that culture and the arts play in society and supports a great number of initiatives aimed at encouraging employees, their families, and local communities to be creative.

Gazprom employees have an opportunity to show their creativity at the Fakel Festival held twice a year. The festival brings together bands and artists representing Gazprom's subsidiaries. Fakel Festival regional tours were held in Ufa and Tyumen in 2016, with its winners expected to compete in the final round in 2017.

Gazprom is committed to preserving the cultural heritage of indigenous small-numbered peoples of the North and supports their festivals, exhibitions, and other cultural events.

The Group sponsors many cultural exchange events aimed at strengthening relationships between various peoples.

The 10<sup>th</sup> Arts Festival of Gazprom PJSC and CNPC was held in the Chinese city of Kunming in 2016. Overall, around 100 bands and over 500 artists from Russia and China have taken part in this large-scale cultural event since its launch.

Serbia hosted the Fourth Bolshoi Festival of Russian Classical Music co-organized by Gazprom PJSC. The traditional Serbian village of Drvengrad built by Serbian film director Emir Kusturica was picked as the venue. Young artists of Serbian and regional Russian music schools and conservatories played classical pieces by Russian and Serbian composers at the festival.

Russian Seasons in Germany — German Classical Music in Russia, a large-scale music and education event, was held in 2016 with support from Gazprom PJSC and German company VNG-Verbundnetz Gas AG, organized for several years in a row. Musicians of the Rachmaninoff Trio and other well-known Austrian, German and Russian musicians performed at the event. The project spanned Russian and German cities, including Novosibirsk, Yekaterinburg, Astrakhan, Saratov, St. Petersburg, Berlin, Wiesbaden, Dresden, Dusseldorf, Frankfurt, and Hagen. The gala was held in Moscow in the Mikhail Vrubel Hall of the State Tretyakov Gallery. Musicians played pieces by renowned Russian, German and Austrian composers.

### World of the Nivkh exhibition in the State Russian Museum

The World of the Nivkh exhibition opened at the Stroganov Palace in St. Petersburg in 2016. This is a joint project of the State Russian Museum and the Sakhalin Regional Art Museum organized with support from Sakhalin Energy.

For the first time in their history, Nivkh artifacts from the Sakhalin Region's museum collections were put on display in one of the largest Russian museums to offer a glimpse at the life of the indigenous small-numbered people of the North.

### 11<sup>th</sup> International Music Festival — Stars on the Baikal

The 11<sup>th</sup> International Music Festival — Stars on the Baikal was held in Irkutsk in 2016. Twenty classical music concerts were organized during the 12-day festival hosted by leading regional venues such as the N.M. Zagursky Irkutsk Regional Musical Theater, the concert and organ halls of the Irkutsk Regional Philharmonic Hall, and the Bratsk-ART Drama and Concert Center in Bratsk.

The lineup included the Academic Symphony Orchestra of the St. Petersburg Philharmonic Hall, the Moscow Virtuosi chamber orchestra, the Gubernatorial Symphony Orchestra of the Irkutsk Regional Philharmonic Hall, and winners of the Grand Piano Competition and the Astana Piano Passion — international contests for young pianists. Concerts played by internationally renowned musicians, including Russian pianist Denis Matsuev, Austrian violist Julian Rachlin, and Japanese violinist Sayaka Shoji, were the centerpiece of the event.

## Support for Sports

Gazprom has always been committed to promoting sports and healthy lifestyles among employees and local communities. It regularly invests in the construction and development of sports infrastructure, supports sports schools and clubs for children and youths, and runs other initiatives to promote sports.

Gazprom PJSC has been organizing annual summer and winter Spartakiada Games since 1996 for the Group's employees and their children who go to sports clubs run by the Group's subsidiaries. Spartakiads play an important role in social policy, encouraging employees to lead a healthy lifestyle and enabling them to pursue a long professional career. The development of sports infrastructure in regions of presence is another priority of the Group, testifying to its strong commitment to social responsibility. The Group organizes Spartakiada Games in its regions of presence. The 11<sup>th</sup> Winter Spartakiada Games was held in Ufa in 2016, featuring competition in six sports. The winners of regional rounds held across Russia, Belarus and Armenia participated in the event. In particular, 26 adult and 10 children's teams competed at modern sports venues in Ufa. Around 1,500 employees of the Group's subsidiaries took part in these sports activities. In addition, a regional ski festival for disabled children was held on the sidelines of the 11<sup>th</sup> Winter Spartakiada Games, organized by Bashkortostan's Ministry of Youth Policy and Sports and Gazprom Transgaz Ufa LLC.

Apart from Spartakiada Games, the Group annually holds many other sports competitions for adults and kids in its regions of presence. For instance, the village of Magistralny in the Kazachinskoye Lensky District, Irkutsk Region, hosted a kids ice hockey tournament,

the Gazprom Dobycha Irkutsk Cup, in 2016. The event brought together young ice hockey players from Irkutsk, Ust-Ilimsk, and Magistralny.

The Village of Dedurovka in the Orenburg District, Orenburg Region, hosted in June the 13<sup>th</sup> All-Russian Track & Field Championship — Dedurovskaya Vysota, at which more than 100 high jumpers from six Russian regions, both young and veteran athletes, competed for prizes handed out by Gazprom Dobycha Orenburg LLC.

This strong interest in sports can be attributed to the successful performance of Russian athletes in international competitions — the Group's subsidiaries support many football and ice hockey clubs in its regions of presence, including FC Zenit, FC Schalke 04 (Germany), FC Red Star Belgrade (Serbia), FC Orenburg, and minifootball club Gazprom-Yugra (Yugra). Gazprom is an official partner of FIFA and the UEFA Champions League. Its subsidiaries are among the key sponsors of ice hockey clubs SKA (St. Petersburg) and Avangard (Omsk Region).

Gazprom is also a sponsor of many children's sports competitions and runs projects to build sports facilities in Russia and abroad. Health and fitness centers were opened in the Saratov Region, the city of Ivanovo, Perm Krai, and the village of Arashan, Alamudun District, Kyrgyzstan, under the Gazprom for Children program, along with an indoor skating rink in the town of Elektrostal. The Group's efforts make sports activities more accessible and safer for children. Children can also boast remarkable athletic achievements. Many young athletes trained at Gazprom-sponsored sports schools and clubs have won top international championships.



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**Gazprom for Children program**

The Company's Gazprom for Children program is a large social project whose main objectives include:

- Creating favorable conditions for the balanced mental and physical development of children and youths;
- Encouraging kids to join clubs and engage in activities such as sports and art.

The Company has been running the program, which spans 74 Russian regions, since 2007. As many as 1,443 sports and cultural facilities has been built or renovated since then. A total of RUB 58.01 billion has been earmarked for past and ongoing projects implemented under the program.

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**Football for Friendship project**

The large-scale social project Football for Friendship is aimed at promoting youth football competitions and fostering tolerance and respect for diversity. The International Children's Forum was held for a fourth time in 2016. Young football players from African, Asian, European and South American countries took part in the event, which gave them an opportunity to meet Global Ambassador of the Football for Friendship Project Franz Beckenbauer, UEFA Champions League Ambassador Michel Salgado, and renowned international football players Max Meyer, Leon Goretzka and Domenico Criscito.

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**Russia Day Cycle Race**

Gazprom Transgaz Tomsk LLC held the sixth Russia Day Cycle Race in 14 regions in Siberia and the Far East in 2016. The event attracted 1,829 people, 200 more than in the previous year. The cycle route was a total of 886 kilometers long. Employees of Gazprom's 22 subsidiaries pedaled through Tomsk and the Tomsk Region, Yurga, Kemerovo, Novosibirsk, Omsk, Irkutsk, Barnaul, Barabinsk, Novokuznetsk, Khabarovsk, Komsomolsk-on-Amur, Ussuriysk and Yuzhno-Sakhalinsk under the motto "The Power of Siberia is to Russia's Benefit!"

## Support for Vulnerable Groups

Gazprom PJSC strongly supports vulnerable groups, pursuing various initiatives to improve access to health care and education and help them realize their creative potential.

The Group runs a series of projects to assist with the social integration of orphaned children, including through sports events. The sixth Spartakiada Games was held in Khabarovsk in 2016, bringing together 100 children in care from Khabarovsk, Komsomolsk-on-Amur, Pereyaslavka, Nekrasovka, Troitskoye and Topolevo. Gazprom Transgaz Tomsk LLC was a sponsor and organizer of the event.

Gazprom also supports schools and kindergartens, being aware that access to quality education is poor in many regions. Gazprom Armenia CJSC also runs projects to support educational institutions. In 2016, the company came forward with an initiative to provide assistance to children in remote villages: first graders living in 30 remote villages received school kits from the company as a present.

The Group's companies also organized a number of New Year's Eve festivities for children with disabilities, orphaned children and kids from problem families to bring them an exciting experience and hand

out gifts. Sports competitions, other contests and New Year's Eve parties were held at subsidiaries.

Gazprom employees annually take part in corporate events held on Victory Day to support WWII veterans. In particular, employees and their families support the Memorial March campaign in regions of presence. The Group provides charitable assistance to WWII veterans, including former troops and those who served on the home front, and organizes music concerts and meetings with them. Short biographies of Gazprom's former employees who participated in WWII and interviews with them have been posted on the Group's website.

Gazprom also helps people affected by natural disasters. When thousands of people in the Dalnerechensk District, Primorsky Krai, were affected by flooding caused by Typhoon Goni in September 2016, Gazprom Transgaz Tomsk LLC acted promptly to provide aid, buying heat guns and propane cylinders to hand them over to the local authorities for rescue operations. Employees also helped transport people and joined a cleanup effort.

**Visit to the Yugorsk Central Clinical Hospital**

Employees of Gazprom Transgaz Yugorsk LLC visited the children's department of the Yugorsk City Central Hospital on New Year's Eve to wish small patients a happy New Year and donate a humicrib for infant patients. The unique Baby Pod II transport device was acquired with funds raised at a charity event organized by the company.

**Open Charity Triathlon Tournament — Energy of Generations**

Gazprom Energo LLC held a third round of the Open Charity Triathlon Tournament — Energy of Generations in the city of Novy Urengoy in September 2016.

The project is aimed at supporting abandoned children in need. Employees of Gazprom Energo LLC with their family members, including children, competed in teams to show dexterity, courage and adroitness in three triathlon disciplines: running, swimming and cycling.

**Festivities for children with disabilities**

Gazprom Transgaz Saratov LLC organized festivities for children with disabilities in 2016.

An arts and crafts fair was held as part of the 10-day charity campaign for the disabled at the Company's Training Center. More than 50 kids from Saratov Residential School No. 3 participated in the event with parents and teachers. Company employees staged a show and conducted master classes in arts and crafts. Handicrafts created by kids at the master classes were put on sale at a charity fair to raise funds for buying educational materials for the school.

**Lest We Forget international memorial campaign**

Gazprom Transgaz Moscow LLC organized a high-profile international memorial campaign in the Kaluga Region called "Lest We Forget — 2016". Launched in June, the campaign featured 80 young employees from 20 Group subsidiaries.

During the 10-day event, participants searched for the remains of Soviet soldiers who were killed in devastating battles for Varshavskoye Highway in 1942–43.

In just one week, Gazprom searchers found the remains of 17 servicemen, as well as 3 military insignias. The remains of one of the soldiers were identified.

An official reburial ceremony was held on 21 June 2016 at a World War II memorial site in the village of Barsuki, located in the Mossalsky District of the Kaluga Region.

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#### 4.2.4.

## Volunteering and Charity

Volunteering and charity are essential components of the Group's social responsibility policy. Gazprom runs a number of volunteering projects and provides aid to many charities.

Most volunteering projects implemented in 2016 focused on organizing festivities for orphaned children, kids from problem or large families, and disabled children. In particular, the Group's employees handed out New Year presents, staged performances for kids, and conducted master classes in arts and crafts.

Gazprom regularly supports volunteering efforts aimed at protecting the environment. Like in previous year, the Group's employees joined the All-Russian Environmental Subbotnik — Green Spring in

2016 to clean areas in regions where the Group operates. Volunteers planted trees and carried out landscaping.

Gazprom Dobycha Shelf Yuzhno-Sakhalinsk LLC was announced among the winners of the 2016 Philanthropist of the City contest held annually in Yuzhno-Sakhalinsk. The Company implemented more than 20 volunteering projects, which included donating equipment to a sports club for children and youths, supporting the Ice Hockey in Felt Boots project, organizing an Olympiad for schoolchildren at Sakhalin State University, and forming a second Gazprom Class for children willing to study specialized disciplines.

### Running for the Good charitable initiative

More than 50 employees of Gazprom Dobycha Shelf Yuzhno-Sakhalinsk LLC joined the Running for the Good charitable initiative held on the coast of Aniva in July 2016. The event was organized to raise funds for the local Children's Social Rehabilitation Center — Aly Parus. More than 400 local residents took part. Participants were given bib numbers in exchange for cash donations. The donations were used to buy sports apparel for kids.

### Baggage of Knowledge charitable initiative

Gazprom Tsentrremont LLC organized a charitable event in support of the Children's Social Rehabilitation Center — Pokrov of the Russian Orthodox Church in August 2016. The company donated around 650 books, including textbooks and exercise books, to fully equip children ahead of the start of the academic year, while its volunteers conducted master classes in arts and crafts.

### Color the World charitable initiative

The core spirit of this charitable initiative, organized by Gazprom Transgaz Samara LLC, is captured by the simple motto: "If you want to make the world a better place, do it!". The interiors of seven children's institutions in the Samara region were brightened up with colorful artwork. Event participants decorated the walls in local kindergartens, schools and hospitals, making their premises more pleasant and comfortable for the children.









Gazprom  
is a Responsible  
Natural Resource User

ГАЗПРОМ  
СОХРАНЯЯ ПРИРОДУ

ГАЗПРОМ  
СОХРАНЯЯ ПРИРОДУ



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**Gazprom takes a responsible approach to environmental protection and resource sustainability. Gazprom cares about the environment and strives to safeguard nature and resources for future generations.**

**The Group has adopted an Environmental Policy in compliance with legislation and pursues various sustainability initiatives, making great efforts to minimize any negative impact from its activities on the environment.**

**Gazprom's environmental sustainability activities are aimed at preventing air, water, and soil pollution.**

**With a constant focus on energy efficiency and sustainability, Gazprom strives to cut greenhouse gas emissions and mitigate climate change risk.**

**The Group develops innovative energy solutions to improve energy sustainability in the long term.**

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**Examples of cooperation**

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Local communities, non-governmental organizations

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- Public hearings on environmental impact assessment
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Business partners, investors, non-governmental organizations

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- Participation in the CDP, an international organization that brings together investors to focus on carbon emissions and climate change through relevant disclosures

# Environmental Sustainability Management

## Environmental Management System (EMS)

The Environmental Policy is the Group’s key internal document governing its environmental sustainability activities.

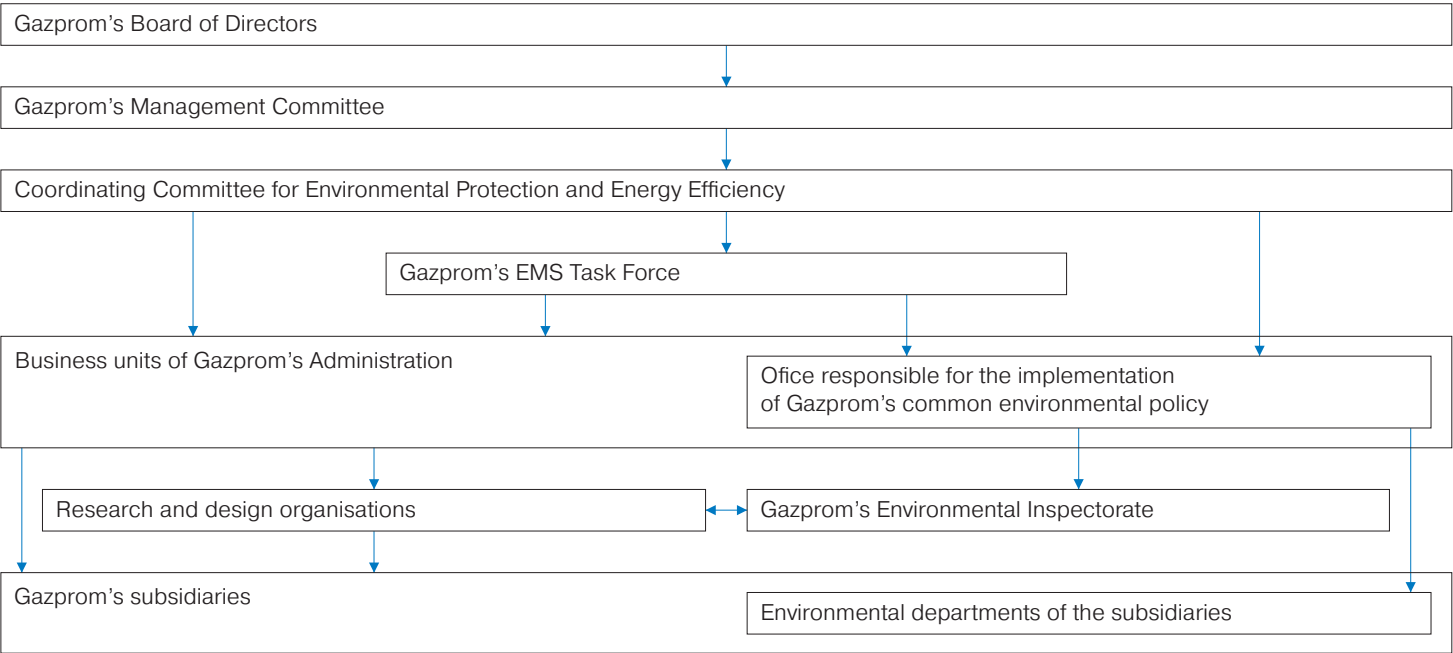
The environmental management system (EMS) is a key component of the Environmental Policy. The system covers all management levels, from production sites run by subsidiaries to the Board of Directors.

Gazprom PJSC’s Coordinating Committee for Environmental Protection and Energy Efficiency is responsible for determining key sustainability areas and targets for all business units and subsidiaries. The Company’s Working Group on EMS Enhancement takes an

integrated approach to environmental sustainability management.

As part of the EMS, Gazprom PJSC annually determines areas of significant environmental concern and sets corporate environmental targets to address them. Such areas determined for 2016 included methane emissions from repairs of main gas pipelines, nitrogen oxide emissions released by gas compressor stations, wastewater discharge, and waste disposal. All environmental targets set for 2014–16 were met. The Company also updated its environmental targets for 2017–19 using the year 2014 as a baseline.

**EMS governance structure**



### Achievement of environmental targets in 2016

No.	Corporate environmental target	Companies within the EMS scope	Reduction from the 2011 baseline, %
1	Reduction in methane emissions (from repairs of gas pipelines)	All subsidiaries involved in natural gas transportation	9.4
2	Reduction in nitrogen oxide emissions (from gas compressing)	All subsidiaries involved in natural gas transportation	16.4
3	Reduction in untreated and undertreated wastewater discharged into surface water bodies	All subsidiaries	34.5
4	Reduction in the proportion of waste buried	All subsidiaries	9.2
5	Reduction in tax on negative environmental impact above acceptable limits used as an integral indicator of this impact	All subsidiaries	14.6
6	Reduction in energy consumption for operating needs	All subsidiaries involved in natural gas transportation	23.3

The scope of the EMS covers all Gazprom PJSC business units and 36 subsidiaries engaged in core activities, from natural gas and gas condensate exploration, production, transportation, storage, and processing to investment projects.

The Company's EMS was certified according to ISO 14001:2004 in 2011. DNV-GL conducted independent re-certification and oversight audits to confirm the Company's compliance with the international standard in 2014–16.

After the adoption of ISO 14001:2015, a new version of the ISO 14001 standard, in 2015, the Company developed a plan to improve corporate procedures related to the EMS, updating internal regulations and training personnel. It plans to conduct a re-certification audit of its system in 2017 to become accredited to the updated standard.

Companies out of the scope of the Group's EMS have adopted environmental management systems aligned with their principal activities. Most of the Group's companies have implemented ISO 14001:2004-compliant energy management systems.

Gazprom Neft PJSC has an Integrated Management System that is certified to the OHSAS 18001, ISO 14001, and ISO 9001 international standards, and which is responsible for the management of all environmental issues, from health to industrial safety. Gazprom Neft PJSC

confirmed the compliance of its ESM with ISO 14001:2015 in 2016.

Mosenergo PJSC (Gazprom Energoholding LLC) certified its ESM to ISO 14001:2004 back in 2006, while United Moscow Energy Company PJSC is in the process of implementing this system. Gazprom Energoholding LLC and its production companies developed environmental policies in 2016 based on Gazprom PJSC's Environmental Policy and the Technical Policy Concept.

Gazprom places an increasing focus on the environmental sustainability practices of its subsidiaries abroad. Gazprom EP International B.V. is the single operator of Gazprom PJSC's exploration and production projects outside of Russia. The company uses innovative solutions to minimize its impact on the environment. Processes at its production sites are also subject to environmental controls.

To improve the environmental literacy of employees, Gazprom annually runs environmental awareness training programs and organizes contests among the environmental departments and officers of its subsidiaries.

The Group actively cooperates with environmental non-governmental organizations. In 1995, Gazprom set up the Vladimir Vernadski Non-governmental Environmental Fund, whose strategic purpose is to foster environmentally sustainable social and economic development based on Vladimir Vernadski's scientific legacy.



## Environmental Information Transparency

An environmentally responsible approach focuses on ensuring the highest degree of transparency possible and establishing close cooperation with all stakeholders.

Gazprom regularly publishes current environmental information on its website (including in the Environment, Media and Investors sections), corporate media and industry journals.

In accordance with Russian laws, Gazprom PJSC is required to hold public hearings on most projects. The Group adopted a corporate standardization framework in 2014 which outlines guidance on how to organize public discussions and hearings on environmental impact assessments (EIA). When planning and conducting EIA procedures, Gazprom adheres to the precautionary principle set out in the Rio Declaration on Environment and Development<sup>(19)</sup>.

Pursuant to the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, Gazprom provides relevant

information for national communications that Russia must produce as a party to the UNFCCC for the purpose of disclosing information on greenhouse gas emissions and measures to reduce them.

The participation of Gazprom PJSC in the CDP, which requires companies to disclose their carbon emissions and climate change risks, including strategies for their mitigation, is an important illustration of the Company's strong commitment to increasing its environmental transparency. Gazprom PJSC has been recognized as the best Russian energy company in the CDP Climate Performance Leadership Index over the last five years.

The Group's companies hold top spots in the Environmental Responsibility Index of Russia's Oil and Gas Companies launched in 2014 by the World Wildlife Fund in Russia in partnership with the Creon Group and with the participation of the National Rating Agency.

(19) Principle 15. The Rio Declaration on Environment and Development, the UN, 1992.

# Minimization of Negative Environmental Impact

Minimizing negative environmental impact is high on the agenda of the Company, which places an increased focus on such efforts during operations in the Arctic region and other offshore areas with a high degree of environmental vulnerability. Gazprom regularly implements environmental protection initiatives, as well as developing and deploying green technologies. The Group is fully aware of its responsibility before the current and future generations for its impact on the environment.

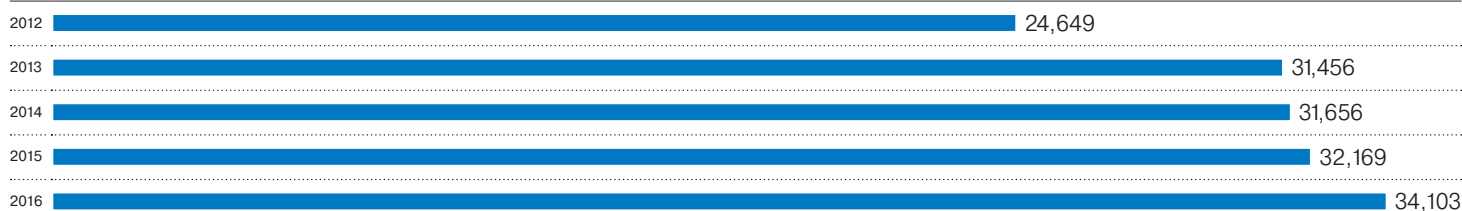
The Group's investment in environmental protection and resource sustainability initiatives totaled RUB 91.71 billion in 2012–16. Capital expenditures on such initiatives reached RUB 22,542 million in 2016.

The Group's investment in environmental protection increased by over 40% in the review period compared with previous years, excluding 2013 when infrastructure for the 2014 Winter Olympics in Sochi was built.

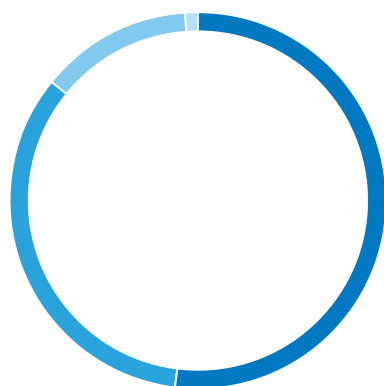
Significant increases were recorded in investment in water resources protection, from RUB 8,324.86 million in 2015 to RUB 11,791.20 million in 2016, as well as investment in air protection, from RUB 1,553.83 million in 2015 to RUB 7,545.93 million in 2016.

The Group's operating expenditures on environmental protection amounted to RUB 34,103 million in 2016.

## The Group's operating expenditures on environmental protection in 2012–16, RUB million



## Structure of the Group's capital expenditures on environmental protection in 2016, %



Conservation and efficient use of water resources	52
Atmospheric air protection	34
Conservation and efficient use of land	13
Other	1

5.2.1. Air, Water and Soil Protection

5.2.1.1. Air Protection

To reduce air pollution, Gazprom takes measures to improve its energy efficiency, reduce the flaring of gas at deposits, and increase the use of exhaust gas collection and treatment systems.

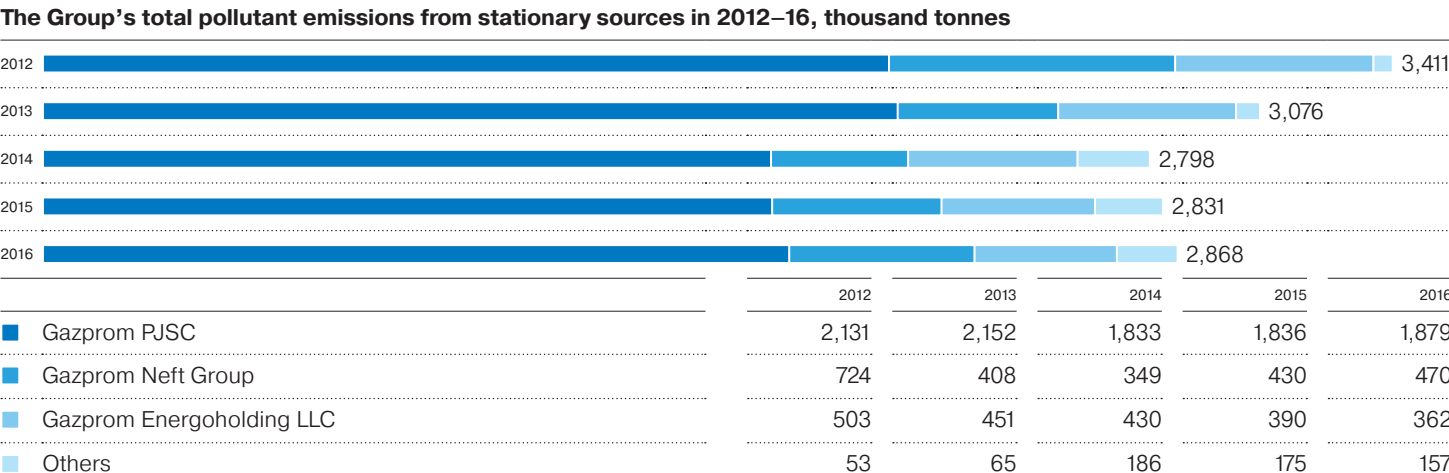
The Group’s emissions from stationary sources totaled 2,868,000 tonnes in the review period, approximately the same level as in previous years.

Most pollutant emissions released by the Group from stationary sources (66%) come from the natural gas business. Hydrocarbons, predominately methane, prevail in the Group’s emissions due to the specifics of its natural gas business. Carbon monoxide, nitrogen oxide and sulfur dioxide emissions are also common. The electricity

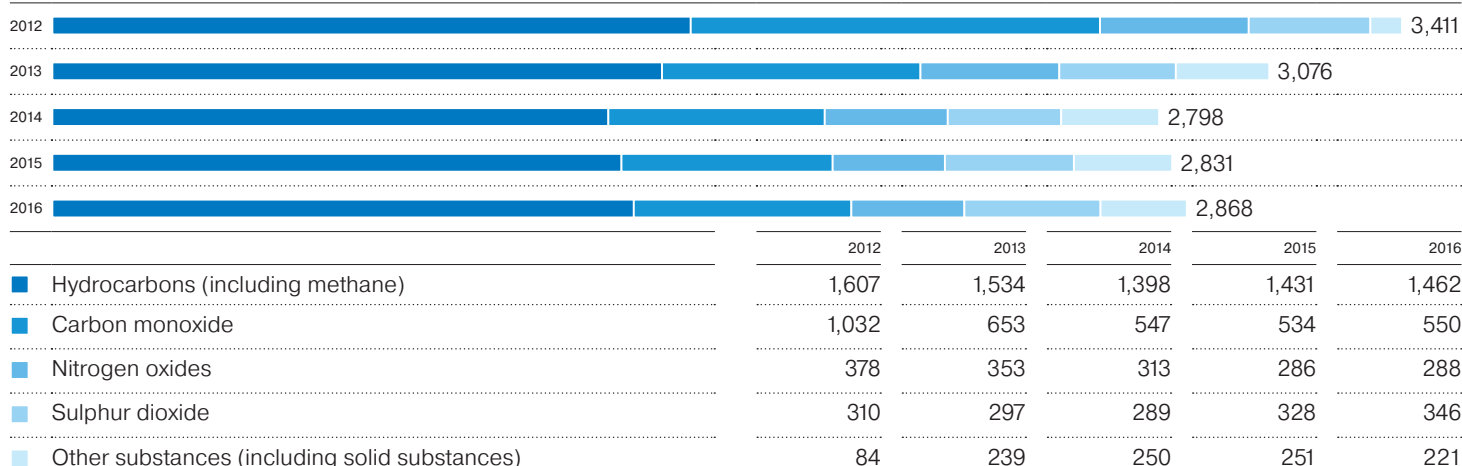
business is mainly a source of solid particles emissions. Volatile organic compounds are emitted by both oil and gas companies engaged in production and processing activities.

Gazprom Neft PJSC has launched a large-scale program to upgrade its refineries, which envisages environmental projects aimed at reducing the negative impact from operations on the environment.

Most heat power plants run by companies of Gazprom Energo-holding LLC have automated emissions monitoring systems. Data generated by such systems is used for internal controls and managerial decision-making, and is also submitted to environmental watchdogs.



### The Group's emissions by pollutant in 2012–16, thousand tonnes



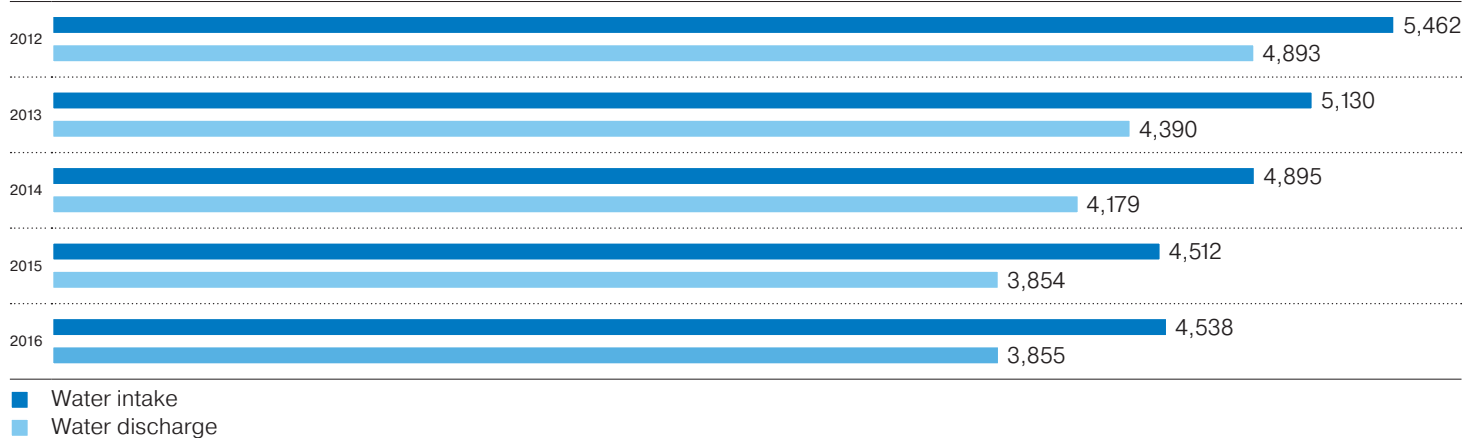
#### 5.2.1.2. Water Protection

The Group significantly reduced the amount of wastewater discharge into surface water bodies in both the review period and the immediately previous years. This reduction was led by Gazprom Neft PJSC, which stopped discharging wastewater into surface water bodies. The amount of water taken to cool power plants run by Gazprom Energoholding LLC insignificantly increased due to growth in power and heat generation.

In addition, the Group implemented a number of initiatives to facilitate more efficient water use for operating needs. The Group installed 999 wastewater treatment plants with a combined capacity of 156,100 cubic meters per day in 2016.

The deployment of water reuse technologies also helps Group companies to manage water resources in a more sustainable way. The Group launched six water reuse systems with a combined capacity of 2,372,980 cubic meters per day in 2016.

### Water intake and discharge into surface water bodies by the Group in 2012–16, million cubic meters



5.2.1.3. Protection of Land

Being committed to responsible resource use, Gazprom takes a structured approach to minimizing the negative impact on land, preventing harm to land and restoring disturbed land.

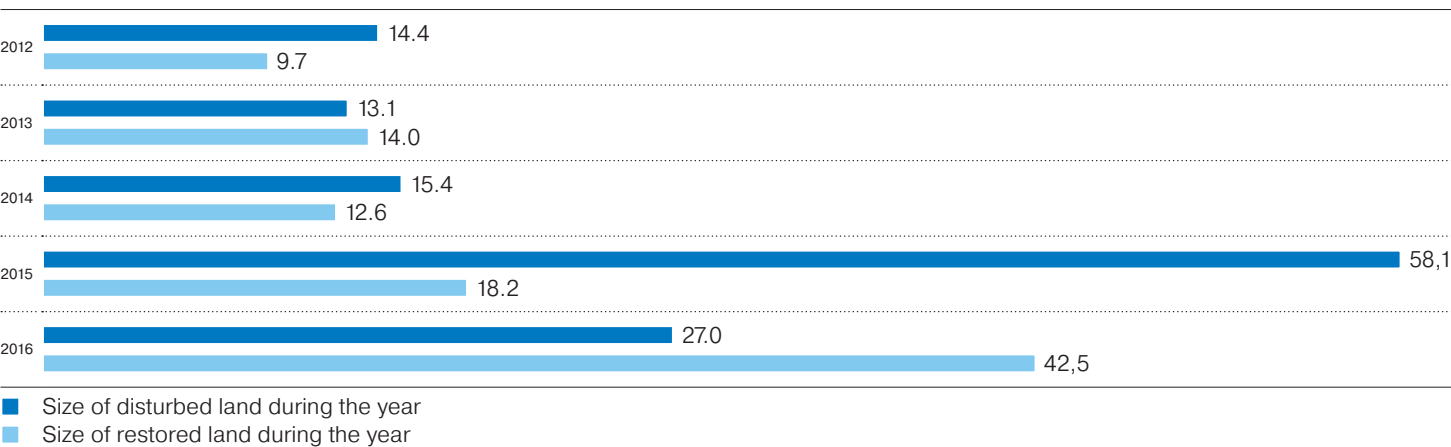
The Group conducts environmental monitoring procedures when building and renovating facilities to evaluate whether restored land complies with environmental standards. The assessment of environmental damage caused by previous land users is also an important priority in the Group’s efforts to identify and restore disturbed land.

The amount of land disturbed by the Group declined by almost half in 2016 compared with the previous review period. This was

due to the completion of a number of facilities in 2015. In addition, the Group restored 42,450 hectares of disturbed land in 2016, 133% more than in 2015.

The amount of land contaminated in 2016 decreased by 13% compared with 2015, as Gazprom Neft PJSC implemented a number of measures to increase the safety of its pipelines. There were also significantly fewer pipeline spills leading to soil contamination. Gazprom Neft PJSC also pursued projects to restore disturbed land under its Clean Territory project.

Size of disturbed and restored land in 2012–16, thousand hectares





5.2.2.

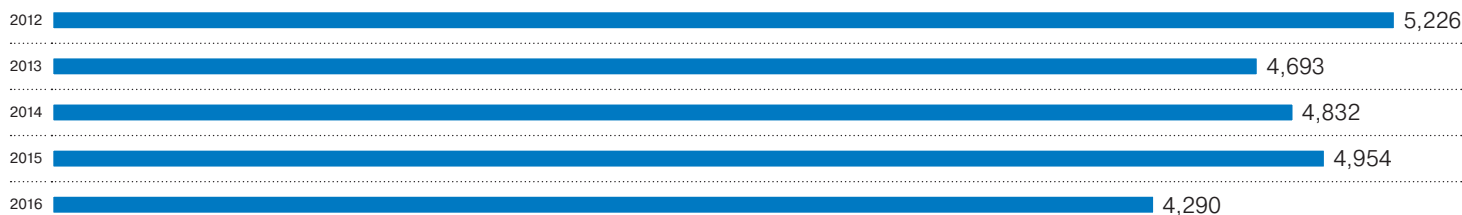
## Reduction in Production and Consumption Waste

The amount of production and consumption waste generated by the Group was reduced by 13% in 2016 compared with the previous review period. The highest reduction was posted by Gazprom Energo-holding LLC, which produced less bottom-ash by using more natural gas instead of coal for heat generation at power plants operated by Mosenergo PJSC and OGK-2 PJSC.

In 2016, Gazprom Neft PJSC developed a drilling waste management concept to minimize environmental risks and cut well construc-

tion costs. The concept outlines the company's approach to waste management based on the infrastructure of fields under development, current technologies for drilling waste treatment and disposal, technical and economic indicators, the drilling method (conventional or closed-loop drilling), and whether it is possible to inject waste into formations. There are plans to introduce this concept across all subsidiaries in the upstream segment in 2017.

### Waste production by the Group in 2012–16, thousand tonnes



5.2.3.

Oil Spill Prevention

The Group’s operations bring the risk of incidents such as oil spills that can cause serious harm to the environment. Gazprom is aware of its responsibility for the protection of the environment in areas where it extracts and transports oil products. After discussions with the competent authorities, the Group has adopted oil spill response plans for all its production sites that prioritize efforts to protect especially vulnerable environments as required by legislation. The comprehensive approach to response planning and mobilization allows Group companies to be proactive and act rapidly in containing and cleaning oil spills in order to minimize the negative impact on the environment.

Sakhalin Energy has implemented a geographic information system for making rapid and informed decisions in the event of accidents. The system allows the company to map vulnerable areas that may be affected by an oil spill at a production site and match

packages of detailed information collected from coastal and offshore infrastructure (including a description of the area, infrastructure, equipment, location and bed slope) in order to implement an oil response plan.

When an oil spill occurs, the Company follows a set of standards, including techniques to deter, catch and clean wild animals, and measures to protect marine mammals. The choice of accident mitigation methodologies and techniques is based on the specifications of materials, Russia’s regulations, and international best practices.

Accident response teams have been set up at all the Company’s production sites, and they are on guard 24 hours a day. The Company regularly conducts oil spill response training and exercises.

In its environmental protection initiatives, Gazprom places a priority focus on special protected areas.

Oil spill containment and cleanup near the Prilazlomnaya platform

Gazprom Neft Shelf LLC held tactical and special training in oil spill containment and cleanup near the marine ice-resistant fixed platform Prilazlomnaya. The exercises focused on techniques for containing and cleaning a simulated oil spill caused by a tanker accident in the sea, including operations to protect and clean the coast near the village of Varandei and Dolgy Island. Under the scenario, the cleanup operation on the island took two days. A commission set up to assess the outcome of the exercises concluded that Gazprom Neft Shelf LLC is ready to implement all the necessary measures specified in the oil spill containment and cleanup plan for the Prilazlomnaya platform.

# Energy Efficiency

## Protection of Fragile Ecosystems

Some sites of the Group are located near especially vulnerable areas. The Group's environmental monitoring programs for such areas are focused on regular observations of wildlife and plants.

The Group has also adopted a biological diversity preservation program based on the list of flora and fauna that indicate the health of Arctic marine ecosystems. The program was developed based on recommendations by environmental experts, the Ministry of Natural Resources and Environment, and the Global Environment Facility. Its activities include Arctic fauna studies, missions to find the haulout sites of Atlantic walrus species, and field studies on the Atlantic walrus population in the Pechora Sea. The studies are conducted in partnership with the Marine Mammal Council of the WWF in Russia.

Gazprom Neft Shelf LLC, a Gazprom Neft PJSC company, conducted studies to assess the impact from the Pirazlomnaya platform, escort ships and tankers on marine species inhabiting the coastline and coastal waters. No significant environmental stress on planktonic

micro-communities was detected as a result of the 2016 studies. Ornithological studies performed on the islands and in the marine environment of the Nenetsky State Nature Reserve showed reproductive success in anseriform birds and an influx of 75 new bird species, including rare species such as the white-tailed sea eagle, pallid harrier, peregrine falcon, gyrfalcon, and Bewick's swan. In addition, studies were conducted to explore the haulout sites of thousands of Greenland seal species and find Atlantic walrus species. According to the studies, the platform and escort ships did not have a considerable impact on the wildlife.

Gazprom continued to support special protected areas in 2016. In particular, Gazprom Transgaz Ukhta LLC began studies in the Yugyd Va and Lake Pleshcheyevo National Parks. Other Group companies pursue projects to restore biological diversity by releasing baby fish into rivers and carry out initiatives to protect endangered species.

### Gray whale monitoring

Gray whales that travel to Sakhalin's coastal waters for feeding are on Russia's list of endangered species and the IUCN Red List of Threatened Species. The conservation and monitoring of gray whales that stay along marine sites operated by Sakhalin Energy is a high priority for the company.

Sakhalin Energy continued to monitor grays near the northeastern coast of the island in 2016, in cooperation with the Sakhalin I operator. Under this comprehensive monitoring program, watches try to quantify the whales, study their distribution, and photograph individual mammals for photo-identification studies.

Fourteen calves and one new adult whale were recorded during the 2016 monitoring season. The number of whales added to the Sakhalin photo-identification catalogue increased to 274 individuals as a result. The Sakhalin population of gray whales has been growing by 3–4% a year since 2004.

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**5.3.1. Energy Efficiency Management**

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Efforts to bolster energy efficiency play an important role in minimizing negative impact on the environment and improving cost efficiency. Gazprom has been steadily improving its energy efficiency by implementing innovative equipment and technologies.

The Coordinating Committee on Environmental Protection and Energy Efficiency of Gazprom PJSC is responsible for the general coordination of the Company's energy savings initiatives.

The Company has adopted the Energy Savings and Energy Efficiency Concept of Gazprom OJSC for 2011–20, which has the following objectives:

- Achieving maximum energy savings possible through both government support mechanisms for the Company's energy efficiency policies and more robust energy efficiency management;
- Improving the energy efficiency of Gazprom PJSC subsidiaries using innovative technologies and equipment;
- Reducing the man-made burden on the environment.

Gazprom PJSC pursues its Energy Savings Policy based on the Energy Savings and Energy Efficiency Concept of Gazprom OJSC for 2011–20, Russia's Energy Strategy for the period until 2030, and Russian legislation.

The Company's industrial energy efficiency system was recognized as the most efficient and effective in Russia's oil and gas industry in the Report on Energy Savings and Energy Efficiency Measures in Russia in 2015 released by the Russian Ministry of Energy in 2016.

Companies of the Group, Gazprom Energoholding LLC, Gazprom Neftekhim Salavat LLC, and Sakhalin Energy, run individual energy efficiency programs aligned with their business needs.

Companies of Gazprom Energoholding LLC have also adopted policy frameworks on energy efficiency initiatives. Such programs are focused on implementing upgrade and renovation projects (capacity additions), increasing the efficiency of equipment (through major and medium repairs), upgrading lighting systems, conducting energy efficiency studies, and developing and adopting guidelines based on energy sustainability practices.

Gazprom Neft PJSC implements energy efficiency measures in accordance with its Energy Policy and the ISO 50001 standard. The Upstream and Downstream Units of Gazprom Neft PJSC manage energy efficiency initiatives in a structured way using energy management systems that have been developed in accordance with the high-level segregation of business processes across the company and are aligned with the units' business needs. Both units passed ISO 50001 certification for their energy management systems in 2016.

### 5.3.2.

## Energy Savings

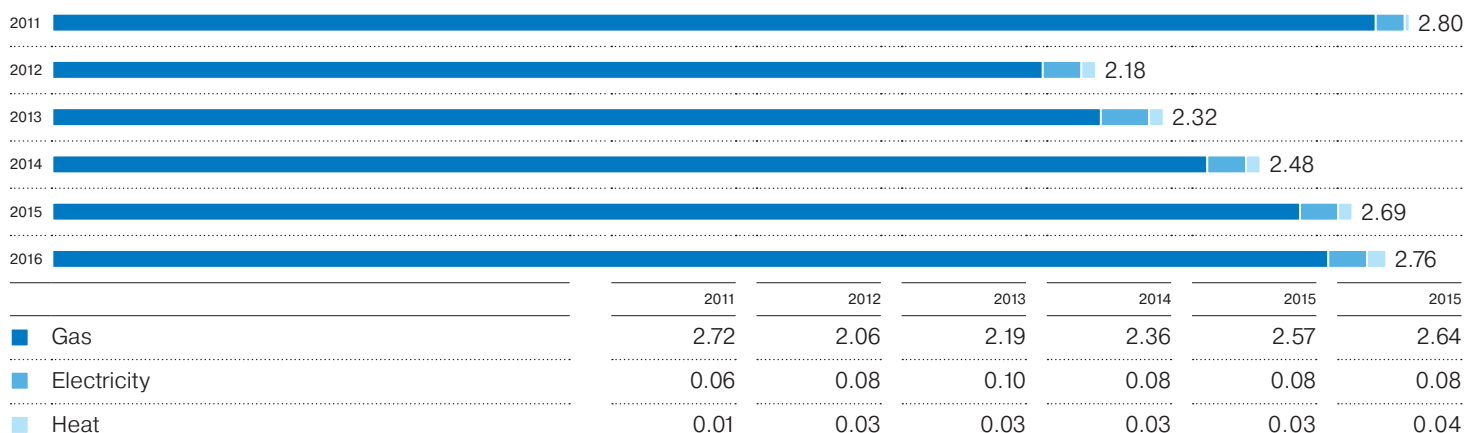
### 5.3.2.1.

#### Natural Gas Business

Energy efficiency measures allowed the Group to save 15.3 million tonnes of coal equivalent in 2011–16, including 12.8 billion cubic meters of natural gas, 1.5 billion kWh of electricity, and 1.3 million

Gcal of heat. The Group exceeded its initial savings target by 3%. It estimates that it can save up to 28.2 million tonnes of coal equivalent in 2011–20.

#### Energy savings achieved by Gazprom PJSC in 2011–16, million tonnes of coal equivalent



Gazprom PJSC continued to implement its 2014–16 Energy Savings and Energy Efficiency Program in 2016, and adopted a similar program for 2017–19. The Company targets the following energy savings for this period: 5 billion cubic meters of natural gas, 611 million kWh of electricity, and 527 million Gcal of heat. More than 2,800 energy efficiency initiatives are to be implemented under the program in 2017–19 to achieve total energy savings of more than 6 million tonnes of coal equivalent.

In 2016, Gazprom PJSC accomplished all tasks envisaged by its 2011–20 energy savings policy. The consumption of natural gas for operating needs dropped by 25% compared with 2011.

The Company reduced energy consumption by implementing innovative solutions, installing energy efficient equipment, and

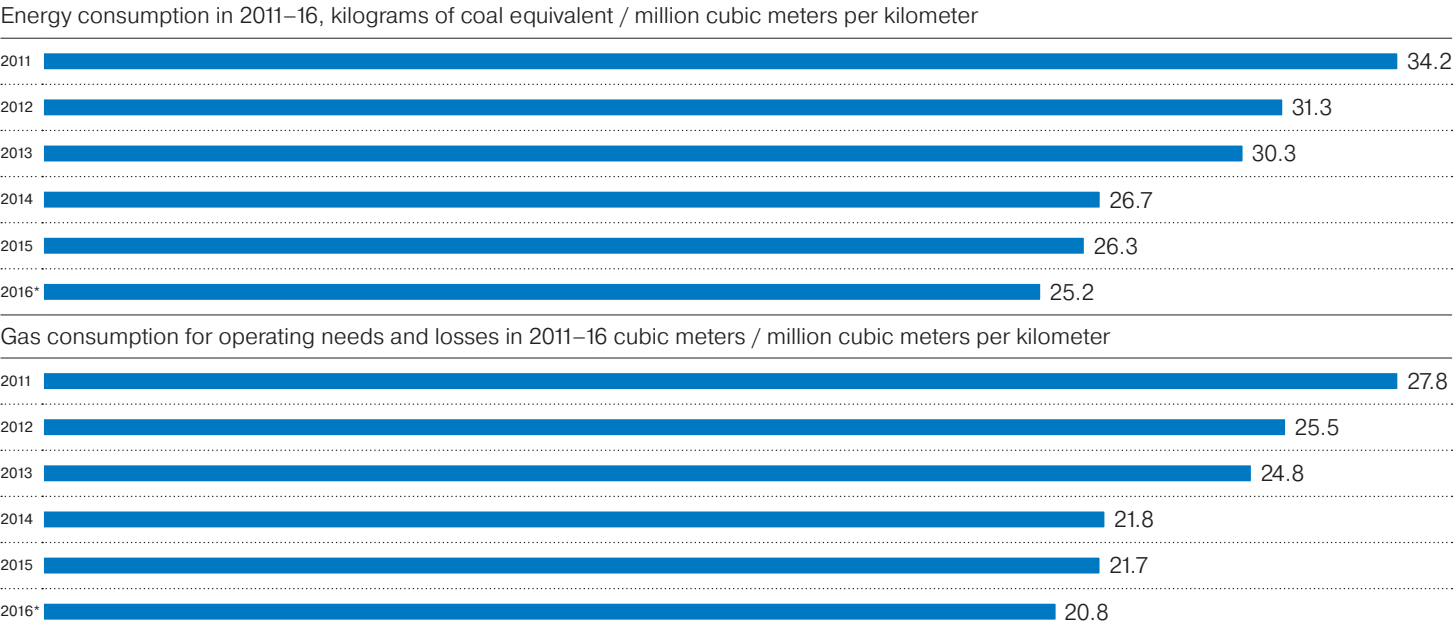
improving production processes. Most energy savings (83.9%) were achieved through efforts to improve the efficiency of transport along the main pipelines, the Group's most energy intensive activity.

Natural gas savings initiatives in 2016 were largely aimed at reducing the level of outgassing during repairs, replacing changeable flow sections of centrifugal compressors, and redirecting gas from pipeline sections under repair to operating pipelines.

Apart from using proved technologies, the Company has implemented new projects to use exhaust gas heat generated by compressor stations, install turboexpanders at gas distribution stations, and deploy new solutions to reduce outgassing levels during repairs such as mobile compressor stations.



2011–20 energy savings targets of Gazprom PJSC for main pipelines



\* Adjusted for the transportation of natural gas via the Nord Stream pipeline network.

5.3.2.2. Oil Business

Gazprom Neft PJSC adopted an Energy Policy in 2013 to improve energy efficiency of the company and its subsidiaries, while safeguarding strong safety, security and productivity levels, minimizing negative environmental impact, and reducing the consumption of non-renewable energy.

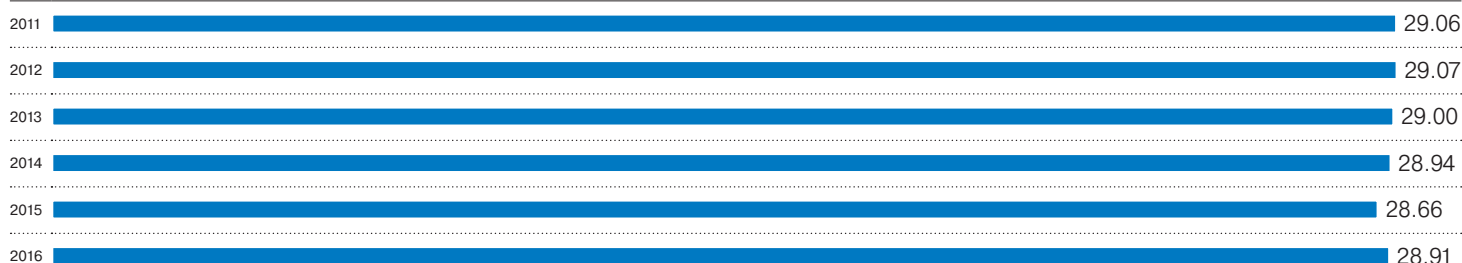
Gazprom Neft PJSC develops and implements energy savings and energy efficiency programs, a key instrument of its Energy Policy, to ensure the robust performance of its energy management

systems. The Upstream and Downstream Divisions exceeded their energy savings targets in 2016.

In particular, the Upstream Division saved 433 million kWh of electricity, a record amount for the Block since the launch of its energy efficiency programs.

The consumption of electricity per tonne of liquid hydrocarbons extracted is a key energy efficiency indicator for the Upstream Division, and it totaled 28.91 kWh in 2016, 1.7% less than planned.

#### Electricity consumption by the Upstream Division per tonne of liquid hydrocarbons extracted in 2011–16, kWh per tonne



The Downstream Division of Gazprom Neft PJSC achieved the following energy savings as a result of its energy efficiency programs:

- electricity savings — 16 million kWh per tonne;
- heat savings — 259,000 Gcal;
- fuel savings — 44,000 tonnes of coal equivalent.

The Downstream Division uses the Solomon Energy Intensity Index (EIL) as a key indicator of energy efficiency for refineries. The Unit's EIL steadily dropped in 2012–16 to approach the average reported by refineries in Central and Southern European countries.

#### The EIL of Gazprom Neft PJSC's Downstream Unit in 2012–16

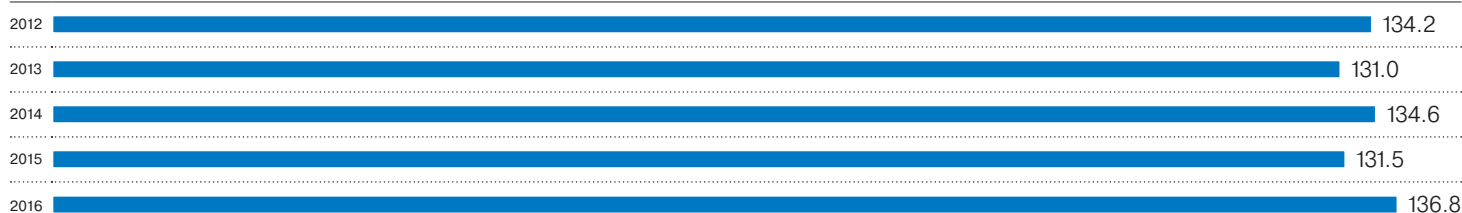
Refineries	2012	2013	2014	2015	2016
ONPZ	126	123	117	114	110
MNPZ	124	123	122	114	113
YaNOS	110	110	108	109	107
Panchevo Refinery	—	—	126	122	118

To control their energy usage, the Block's companies also rely on the ratio of energy consumption to oil refining.

The Energy Savings and Energy Efficiency Program run by the Downstream Division allows its companies to keep growth in energy

consumption at bay, as they are building new energy intensive systems and facilities under both Gazprom Neft PJSC's strategy aimed at increasing the depth of refining to produce Grade 5 gasoline, and under the Environmental Program.

#### Energy consumption by Gazprom Neft PJSC's Downstream Division per tonne of oil refined in 2012–16, kilograms of coal equivalent per tonne



5.3.2.3. Electricity Business

Mosenergo PJSC, United Moscow Energy Company PJSC and TGK-1 PJSC have adopted medium-term energy efficiency programs that are annually updated. OGK-2 PJSC implements energy efficiency initiatives under its operational excellence program launched in 2013.

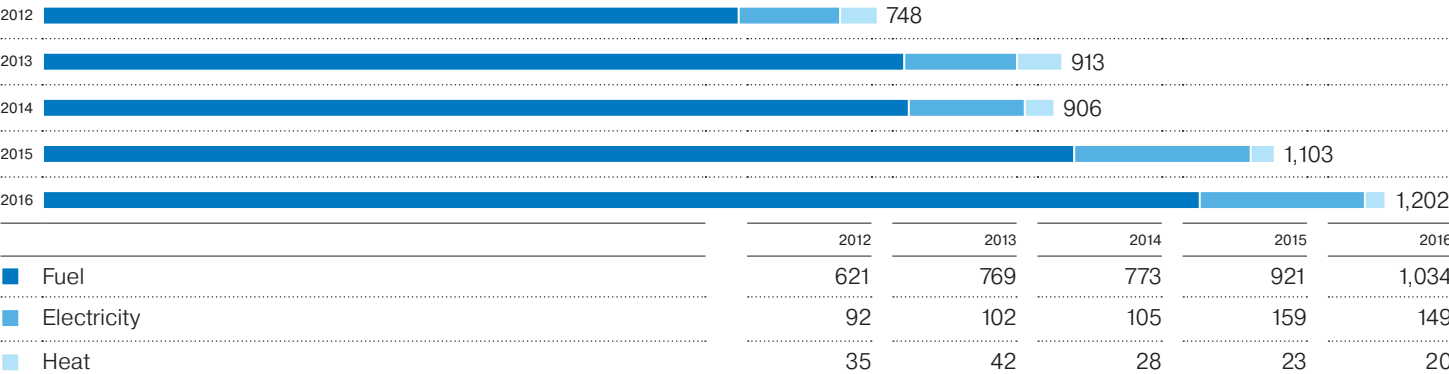
In its energy efficiency activities, Gazprom Energoholding PJSC focuses on equipment upgrade and replacement, cost efficiency, energy efficiency studies, and the development and implementation of guidelines based on energy sustainability practices.

Companies of Gazprom Energoholding LLC are focused on reducing the energy intensity of operating processes by:

- reducing fuel consumption to produce power;
- reducing fuel consumption to supply heat;
- reducing power consumption for operating needs in power and heat generation;
- reducing heat distribution losses.

Gazprom Energoholding LLC slightly increased energy consumption for operating needs in 2016 due to increased production levels. In particular, power consumption for operating needs increased from 9,799.5 million kWh in 2015 to 10,250.2 million kWh in 2016.

Energy savings by Gazprom Energoholding LLC in 2012–16, thousand tonnes of coal equivalent



5.3.3.

Renewable and Recycled Energy

The Group uses renewable and recycled energy to produce energy for operating needs and its supply to external consumers when such supply is economically viable, as is the case in remote areas with scarce infrastructure.

The Group generated 13,036,783 MWh of electricity from renewable sources in 2016.

Gazprom Energoholding LLC accounts for most electricity produced by the Group with renewables, using hydroelectric power plants on rivers in northwestern Russia. Gazprom Energoholding LLC generated around 13 million MWh of electricity from hydroelectric

power in 2016. Group companies also use other renewable energy sources for electricity generation, such as solar panels, wind turbines, turboexpanders, and thermoelectric generators, which enabled the Group to generate more than 360,000 kWh of electricity in 2016.

Gazprom pursues renewable energy promotion projects both in Russia and abroad. In cooperation with Serbian company Energo-wind NIS, Gazprom Neft PJSC is currently building a 102 MW wind power plant. In addition, there are plans to build a geothermal power plant in northern Serbia in partnership with Singapore company Betec.

Electricity generation by the Group from renewable sources in 2016

Type of renewable energy	Electricity generation, MWh
Hydroelectric power	13,036,422.6
Solar power	235.8
Wind power	85.4
Turboexpanders	38.5
Thermal energy	0.8

# Natural Gas as a Vehicle Fuel

The transport sector is a significant contributor to greenhouse gas emissions that lead to climate change. Motor vehicles are the main source of air pollution in big cities, accounting for 90% of its total amount.

Increased usage of natural gas to power vehicles will reduce their negative impact on the environment and human health, as natural gas is a more environmentally friendly source of energy in terms of air pollution compared with gasoline or diesel fuel. Today, natural gas usage in the transport sector allows the reduction of CO<sub>2</sub> emissions by 25–30%. In addition, natural gas as a vehicle fuel is less harmful across the entire life cycle, not only when it is actually burned, which enables gas engines to comply with the Euro 5 environmental standard.

Natural gas is a cost efficient, innovative and safe fuel, as it evaporates immediately in the event of a leak.

Gazprom produces EcoGas fuel and is focused on developing gas filling infrastructure across Russia to create favorable conditions for the conversion of vehicles to natural gas. By doing this, the Group contributes to efforts to reduce emissions of greenhouse gases and other pollutants, especially in big cities where they pose a very serious problem.

As part of its initiative to promote natural gas as a vehicle fuel, the Group has concluded agreements with 51 constituent entities of

Russia on the increased usage of natural gas in the transport sector. Negotiations are under way to sign such agreements with another 10 constituent entities. Thirty-five Russian regions have adopted government programs or subprograms to foster the development of the gas fuel market, while 19 other regions have either cut or completely abolished transport tax for owners of gas-powered vehicles. The consumption of natural gas as a vehicle fuel has been on a steady increase in Russia, driven by Gazprom's initiatives. Gazprom owned 209 out of the 270 CNG filling stations operating in Russia in early 2016. The Group increased its number to 254 by the end of the year, with the installed capacity of the network rising by 21.3% as a result.

The Russian Ministry of Industry and Trade plans to earmark RUB 3 billion out of the Reserve Fund to provide subsidies to manufacturers of gas-powered vehicles, and it has also decided that it will use 764 methane-powered buses for transport services in six cities during the 2018 FIFA World Cup.

Gazprom also promotes the usage of natural gas as a vehicle fuel in Europe. The number of CNG filling stations run by Gazprom in European countries increased to 60 in 2016. The Group also runs two LNG regasification filling stations in Poland. Vemex s.r.o., an associate of Gazprom PJSC, owned seven CNG filling stations in the Czech Republic as of the end of 2016.

**Blue Corridor motor race**

Since 2008, Gazprom PJSC has organized an annual motor race called Blue Corridor in cooperation with Uniper. Gas-powered vehicles cover thousands of kilometers in Europe every year to prove that huge traffic flows can be less harmful to the environment. Participants of the 10<sup>th</sup> Blue Corridor 2016 race crossed a distance of 4,600 kilometers in nine countries bounding the Baltic. Increasing the use of LNG as bunker fuel for marine and river transportation was the central theme of the event. Roundtable discussions were also held in major ports (Tallinn, Szczecin, Rostock, Copenhagen and Stockholm), bringing together more than 150 politicians, experts and business leaders.

Gazprom PJSC adopted strategic documents in 2016 to facilitate projects aimed at promoting LNG as a vehicle fuel, including a Small-Scale LNG Production and Usage Program and a Small-Scale LNG Production and Usage Business Model for Gas Distribution Plants.

The pilot stage of the Small-Scale LNG Production and Usage Program focuses on preliminary studies for the construction of gas liquefaction plants with a combined capacity of 67 tonnes per hour on the site of gas distribution plants in six Russian regions.

Gazprom is actively involved in both international and national initiatives aimed at increasing the use of small-scale LNG as fuel for heavy duty vehicles, city public buses, and marine and river vessels.

Dedicated programs and financing mechanisms have been developed to promote small-scale LNG as a fuel for car, rail and water transportation, as well as for applications such as agricultural and quarry mining equipment. Demand for LNG as a vehicle fuel in Russia is estimated to total 5.2 million tonnes in 2030.



# Climate Risk Management

In its efforts to minimize negative impact on the environment, the Company relies on Russia’s Energy Strategy for the period until 2030, National Program on Environmental Protection for 2012–20, and the Climate Doctrine.

Gazprom PJSC has adopted a corporate strategy for greenhouse gas management. The Paris Agreement signed at the 2015 UN climate change conference calls for decisive climate action, setting out a global plan to limit global warming to well below 2°C above pre-industrial levels. More than 150 heads of state and government put their signatures to the document. Pursuant to a presidential decree, Russia has pledged to reduce greenhouse gas emissions to not more than 75% of their 1990 level. As an important implementing actor of this strategy, Gazprom runs various initiatives to expand its gas supply network in Russia’s regions and promote the use of natural gas in the transport sector. It also takes other measures to:

- Mitigate climate change;
  - Develop greenhouse gas inventories and reduce carbon emissions from Group companies;
  - Reduce or end gas flaring.
- The Company pursues projects to reduce its carbon footprint under the following programs:
- Gazprom PJSC’s energy saving and energy efficiency program;
  - Comprehensive program for the upgrading and revamping of

- upstream gas assets;
  - Comprehensive program for the upgrading and revamping of gas transportation infrastructure, booster compressor stations, and compressor stations in underground storage facilities.
- Gazprom documents all greenhouse gas emissions released from its operations. Carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>) account for the Group’s major greenhouse gas emissions.
- To reduce methane emissions, the Group implements a set of measures to lower leakage volumes and the level of outgassing, and has adopted a framework for methane leak monitoring, assessment and documenting. To detect methane leaks, it widely uses pipeline diagnostics aviation systems, automated laser systems for monitoring at compressor stations, thermal cameras, and portable leak detectors. Subsidiaries regularly conduct inspections of the main pipelines and patrols by helicopter. They have also adopted a leak response program that enables teams to clean most leaks rapidly as soon as they are detected.
- The identification and assessment of climate risks is an important component of the Group’s climate change adaptation activities. The Company has identified potential climate change risks and assessed their impact on the Group’s operations for the purpose of robust risk management, early prevention, and negative impact minimization.

**The Group’s climate risks**

Temperature change risks	<ul style="list-style-type: none"><li>— Occurrence of dangerous geocryological processes</li><li>— Growth in the number and impact of unfavorable weather events, such as flooding</li><li>— Shorter life of winter roads</li><li>— Growth in natural gas consumption for operating needs in lower temperatures</li></ul>
Physical risks	<ul style="list-style-type: none"><li>— Damage to buildings</li><li>— Increase in accidents in pipeline networks</li><li>— Increase in accidents in water intake and discharge systems</li></ul>
Social risks	<ul style="list-style-type: none"><li>— Greater negative impact on human health from unfavorable or extreme weather and outbreaks of contagious diseases</li><li>— Damage to property of third parties, including that of Group employees</li></ul>
Environmental risk	<ul style="list-style-type: none"><li>— Damage to the environment</li></ul>
Reputational risk	<ul style="list-style-type: none"><li>— Non-fulfillment by the Group of its obligations</li></ul>

Natural gas consumption for operating needs is the key area in which the Group can shrink its carbon footprint. Energy savings initiatives targeting gas transportation infrastructure are especially efficient.

By expanding its gas distribution network and replacing coal and fuel oil with natural gas, the most environmentally friendly fossil fuel, Gazprom PJSC makes a significant contribution to reducing greenhouse gas emissions. Carbon emissions from natural gas combustion are about 45% lower than from coal combustion. The Company also works hard to reduce the carbon intensity of its products and assesses possible greenhouse gas emissions during their entire life cycle. Gazprom is not only a responsible supplier, but also a responsible buyer. The Company intends to introduce a system for documenting carbon emissions across its supply chain as part of its longer-term plans to improve its environmental performance.

The conversion of vehicles to natural gas provides another opportunity to reduce the carbon intensity of the country's economy. Such efforts are an important priority for Gazprom that is focused on creating favorable conditions for the adoption of natural gas as a vehicle fuel. Greenhouse gas emissions from vehicles powered by natural gas are estimated to be 25–30% lower than from vehicles running on gasoline and diesel fuel.

Gazprom's activities to reduce or end associated natural gas flaring also play an essential role in carbon footprint reduction and resource sustainability. The Group intends to increase the recycling rate of natural gas associated with extraction processes to 95% or more as a result of investment projects. This rate in 2016 was 98.1% for Gazprom PJSC's subsidiaries (including Tomskgazprom OJSC), 79.8% for Gazprom Neft PJSC, and 96.3% for Sakhalin Energy.

Innovative solution for the conversion of associated natural gas by soft steam reforming

Gazpromneft-Vostok LLC successfully tested Russia's innovative solution for the conversion of associated natural gas by soft steam reforming in 2016. This technology is used to convert C2+ hydrocarbons contained in associated petroleum gas to methane used in gas-powered systems such as gas engine power plants and gas-turbine thermal power plants, which results in the equipment's increased stability and efficiency. Tests conducted at the Krapivinskoye deposit in the Omsk Region showed that innovative technology can convert around 94% of hydrocarbons, including ethane and higher hydrocarbons, to methane, and should be recommended for introduction across the Group's subsidiaries.

Gazprom's comprehensive approach allows the Group to successfully reduce its greenhouse emissions, an important environmental priority. Such emissions dropped by 24% between 2011 and 2016, from 133.4 million tonnes of CO<sub>2</sub> equivalent to 101.2 million tonnes. Emissions released by Gazprom Energoholding LLC totaled 99.7 million tonnes of CO<sub>2</sub> equivalent.

The Group develops and implements technologies that enable it to lower greenhouse gas emissions. These include mobile compressor stations that help avoid the release of gas into the air from a pipeline section under repair. Hot tapping is another sustainable technology that allows a pipe to be connected to a pipeline without the need to suspend its operation and without outgassing risks. To detect gas leaks early, the Group uses pipeline diagnostics aviation systems, automated laser systems for monitoring compressor stations, thermal cameras, and portable detectors.

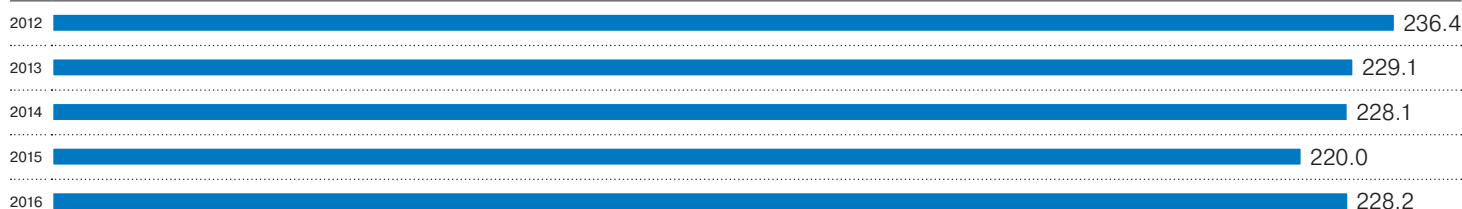
Independent experts highly appreciate Gazprom's efforts to reduce greenhouse gas emissions. Gazprom has been recognized by the CDP as Russia's best company in sustainable energy management every year since 2011. This is further evidence of the Group's successful efforts to address climate change.

Gazprom joined the CDP in 2009, expanding the list of indicators disclosed in CDP questionnaires and communicating additional data on indirect greenhouse gas emissions starting 2013. Participation in the CDP climate change and water programs gives Gazprom an opportunity to send a message about its strategy for managing greenhouse gas emissions and water resources to international financial institutions and investors that rely on such information when building their investment portfolios.

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**The Group's greenhouse gas emissions in 2012–16, million tonnes of CO<sub>2</sub> equivalent**

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Almost all subsidiaries of the Group, including Gazprom Energoholding LLC, Gazprom Neft PJSC, and Sakhalin Energy, have introduced greenhouse gas inventory management systems.

Key indicators of sustainable energy management practices in the European market include the carbon footprint, the total amount of greenhouse gases emitted by all activities in the product's life cycle, usually expressed in equivalent tonnes of CO<sub>2</sub>. German industry association Zukunft ERDGAS initiated a study in 2016 that demonstrated the environmental benefits of natural gas compared with other hydrocarbons. CO<sub>2</sub> emissions from natural gas combustion are about 45% lower than from coal and about 25% lower than from gasoline. The

carbon footprint from LNG production for applications in the transport sector is 75% lower than from gasoline production.

According to estimates by Germany's leading gas institute DBI, the carbon footprint of natural gas amounted to an average of 12.2 kilograms of CO<sub>2</sub> equivalent per gigajoule for gas exported to Central Europe and 9.3 kilograms of CO<sub>2</sub> equivalent per gigajoule for gas transported via the Nord Stream network in 2015. The report also points to a steady reduction in the carbon footprint of Russian natural gas enabled by annual upgrade programs, efforts to improve the energy efficiency of pipeline transportation infrastructure, and an increase in gas exports via Nord Stream.<sup>(20)</sup>

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(20) DBI Gas- und Umwelttechnik GmbH, Critical Evaluation of Default Values for the GHG Emissions of the Natural Gas Supply Chain, Leipzig, 2016.

# Appendix 1.

## GRI Table

### Standard disclosures according to the GRI Guidelines

Indicator	About the indicator	Disclosure	Page
<b>General disclosures<sup>(21)</sup></b>			
General			
GRI 102-1	Name of the organization	About the Report	8
GRI 102-2	Activities, brands, products, and services	Group Information; 1. Gazprom is a Responsible Energy Supplier	14–21, 34–54
GRI 102-3	Location of headquarters	ul. Nametkina 16, Moscow, GSP-7, 117997 Russia	–
GRI 102-4	Location of operations	Group Information / Geography of Business	16–21
GRI 102-5	Ownership and legal form	Group Information / Corporate Governance	26–28
GRI 102-6	Markets served	Group Information / Geography of Business; 1. Gazprom is a Responsible Energy Supplier	16–21, 36–54
GRI 102-7	Scale of the organization*	Group Information / Key Performance Indicators; 1. Gazprom is a Responsible Energy Supplier; 2. Gazprom is a Responsible Employer / HR Management. See the sections Key Financial Results and The Group's Business Model and Position in the Global and Russian Energy Industry, PJSC Gazprom 2016 Annual Report: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a> . See the balance sheet in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as of 31 December 2016: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-ifs-2016-12m-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-ifs-2016-12m-en.pdf</a>	22–23, 36–54, 62–65
GRI 102-8	Information on employees and other workers*	2. Gazprom is a Responsible Employer / HR Management; Appendix 2. Additional Information on the Group's Activities in 2012–16	62–65, 141
GRI 102-9	Supply chain	1. Gazprom is a Responsible Energy Supplier / Cooperation with Business Communities; 4. Gazprom is Responsible for Local Communities / Support for SMEs	47, 55–56, 92
GRI 102-10	Significant changes to the organization and its supply chain	There were no significant changes in the organization's size, structure, ownership, etc. during the reporting period.	–
GRI 102-11	Precautionary Principle or approach	5. Gazprom is a Responsible Natural Resource User / Environmental Sustainability Management	106
GRI 102-12	External initiatives	Group Information / Corporate Governance; 5. Gazprom is a responsible natural resource user	26, 106

(21) For indicators marked with an asterisk \*, information does not contain breakdowns due to the lack of detailed accounting data because of either the specific business, the scale of the Group, or the non-relevance of such information for decision-making by the Group or stakeholders.

Indicator	About the indicator	Disclosure	Page
GRI 102-13	Memberships of associations	1. Gazprom is a Responsible Energy Supplier / Responsibility to Business Partners	55–56
GRI 102-14	Statement from senior decision-maker	Message from CEO	6–7
GRI 102-15	Key impacts, risks, and opportunities	Group Information / Corporate Governance; 5. Gazprom is a Responsible Natural Resource User; Appendix 2. Additional Information on the Group's Activities in 2012–16	31, 104–123, 134–137
GRI 102-16	Values, principles, standards, and norms of behavior	Group Information / Risk Management; 2. Gazprom is a Responsible Employer / Corporate Culture and Communications	30, 68
GRI 102-18	Governance structure	Group Information / Corporate Governance. See PJSC Gazprom's Board of Directors and PJSC Gazprom's Management Committee, PJSC Gazprom 2016 Annual Report <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a>	26–28
GRI 102-23	Chair of the highest governance body	The chair is not an executive officer.	–
GRI 102-25	Conflicts of interest	Stakeholder Engagement; Group Information / Corporate Governance / Internal Controls / Anti-Corruption Practices. Gazprom PJSC discloses information on significant facts, affiliates, transport services, the insider information list and the Company's details on its website: <a href="http://www.gazprom.com/investors/disclosure/facts/2016/">http://www.gazprom.com/investors/disclosure/facts/2016/</a> .	11–13, 26–30
GRI 102-35	Remuneration policies	See Remuneration of Members of Management and Supervisory Bodies, PJSC Gazprom 2016 Annual Report: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a>	–
GRI EU1 <sup>(22)</sup>	Installed capacity broken down by primary energy source and by regulatory regime	1. Gazprom is a Responsible Energy Supplier / Energy Supply to the Domestic Market / Responsibility to International Consumers. See Power Generation (Performance Results), PJSC Gazprom's 2016 Annual Report: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a>	41–43, 54
GRI EU2 <sup>(23)</sup>	Net energy output broken down by primary energy source and by regulatory regime	1. Gazprom is a Responsible Energy Supplier / Energy Supply to the Domestic Market / Responsibility to International Consumers. See Power Generation (Performance Results), PJSC Gazprom's 2016 Annual Report: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a>	41–43, 54

(22)–(23) Indicators of the power industry were used in preparing the Report to reflect the Group's specific energy business.



## Appendix 1. GRI Table

Indicator	About the indicator	Disclosure	Page
GRI 102-40	List of stakeholder groups	Stakeholder Engagement	12–13
GRI 102-41	Collective bargaining agreements	2. Gazprom is a Responsible Employer / Non-Financial Incentives and Social Partnership	66–67
GRI 102-42	Identifying and selecting stakeholders	About the Report; Stakeholder Engagement	8–13
GRI 102-43	Approach to stakeholder engagement	Stakeholder Engagement; Group Information / Corporate Governance; 1. Gazprom is a Responsible Energy Supplier / Consumer Relations; 5. Gazprom is a Responsible Natural Resource User / Environmental Information Transparency	11–13, 43, 106
GRI 102-44	Key topics and concerns raised	About the Report; 1. Gazprom is a Responsible Energy Supplier / Consumer Relations	8–10, 43
GRI 102-45	Entities included in the consolidated financial statements	See the section Subsidiaries in the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as of 31 December 2016: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-ifrs-2016-12m-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-ifrs-2016-12m-en.pdf</a>	–
GRI 102-46	Defining report content and topic Boundaries	About the Report. In line with the completeness principle, the Report covers, apart from topics raised through stakeholder engagement and the materiality matrix, a number of additional topics that may be important for stakeholders. In line with the materiality principle, the Report covers only material topics and indicators.	8–10
GRI 102-47	List of material topics	About the Report	9–10
GRI 102-48	Restatements of information	There were no restatements in the reporting period.	–
GRI 102-49	Changes in reporting	There were no significant changes from previous reporting periods in the list of material topics and topic Boundaries.	–
GRI 102-50	Reporting period	About the Report	8
GRI 102-51	Date of most recent report	About the Report	8
GRI 102-52	Reporting cycle	About the Report	8
GRI 102-53	Contact point for questions regarding the report	Contacts and Feedback	150
GRI 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	–
GRI 102-55	GRI content index	Appendix 1. GRI Table	–
GRI 102-56	External assurance	No external assurance for the Gazprom Group's Sustainability Report was sought.	–

Indicator	About the indicator	Disclosure	Page
<b>Management approach</b>			
GRI 103-1	Explanation of the material topic and its Boundary	About the Report; Stakeholder Engagement	8–13
GRI 103-2	The management approach and its components	Group Information; 1. Gazprom is a Responsible Energy Supplier; 2. Gazprom is a Responsible Employer; 3. Gazprom is Responsible for Health and Safety; 4. Gazprom is Responsible for Local Communities; 5. Gazprom is a Responsible Natural Resource User. No complaints about the Group's activities were submitted in the reporting period.	25, 38–57, 62–73, 80–85, 90–99, 104–107, 114–118, 121–123
GRI 103-3	Evaluation of the management approach	1. Gazprom is a Responsible Energy Supplier; 2. Gazprom is a Responsible Employer; 3. Gazprom is Responsible for Health and Safety; 4. Gazprom is Responsible for Local Communities; 5. Gazprom is a Responsible Natural Resource User	36–57, 62–73, 78–85, 90–99, 102–123

## Appendix 1. GRI Table

Indicator	About the indicator	Disclosure	Page
<b>Specific standard disclosures</b>			
<b>Economic performance</b>			
–	Management approach to ensure short and long-term electricity availability and reliability	1. Gazprom is a Responsible Energy Supplier. See Power Generation (Performance Results), PJSC Gazprom 2016 Annual Report: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-annual-report-2016-en.pdf</a>	41–43
–	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development (potentially)	1. Gazprom is a Responsible Energy Supplier / Innovations	45–47
GRI 201-1	Direct economic value generated and distributed	1. Gazprom is a Responsible Energy Supplier / Contribution to Russia's Social and Economic Growth	37
GRI 201-2	Financial implications and other risks and opportunities due to climate change	5. Gazprom is a Responsible Natural Resource User / Climate Risk Management	121–123
GRI 201-3	Defined benefit plan obligations and other retirement plans	2. Gazprom is a Responsible Employer / Non-Financial Incentives and Social Partnership. See Section 16 of the consolidated financial statements of Gazprom PJSC and its subsidiaries for the year ending 31 December 2016: <a href="http://www.gazprom.com/f/posts/44/307258/gazprom-ifs-2016-12m-en.pdf">http://www.gazprom.com/f/posts/44/307258/gazprom-ifs-2016-12m-en.pdf</a>	66–67
<b>Indirect economic impacts</b>			
GRI 203-1	Infrastructure investments and services supported	1. Gazprom is a Responsible Energy Supplier / Energy Supply to the Domestic Market / Responsibility to International Consumers; 4. Gazprom is Responsible for Local Communities / Development of Regions of Presence / Social Responsibility	36–42, 48–54, 90–99
GRI 203-2	Significant indirect economic impacts	1. Gazprom is a Responsible Energy Supplier / Energy Supply to the Domestic Market; 4. Gazprom is Responsible for Local Communities / Development of Regions of Presence	36–47, 90–94
GRI OG1	Volume and type of estimated proved reserves and production	Group Information / Key Performance Indicators	22
<b>Anti-corruption</b>			
GRI 205-2	Communication and training about anti-corruption policies and procedures	Group Information / Anti-Corruption Practices	30
GRI 205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were detected in the reporting period.	–

Indicator	About the indicator	Disclosure	Page
<b>Energy</b>			
GRI 302-1	Energy consumption within the organization*	5. Gazprom is a Responsible Natural Resource User / Energy Savings; Appendix 2. Additional Information on the Group's Activities in 2012–16	115–118
GRI 302-3	Energy intensity	5. Gazprom is a Responsible Natural Resource User / Energy Savings	115–118
GRI OG3	Total amount of renewable energy generated by source	Gazprom is a Responsible Natural Resource User / Renewable Energy Sources	119
GRI 302-4	Reduction of energy consumption	5. Gazprom is a Responsible Natural Resource User / Energy Savings / Renewable Energy Sources	115–119
<b>Water</b>			
GRI 303-1	Water withdrawal by source*	5. Gazprom is a Responsible Natural Resource User / Air, Water and Soil Protection	108–109
<b>Biodiversity</b>			
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	5. Gazprom is a Responsible Natural Resource User / Protection of Fragile Ecosystems	113
<b>Emissions</b>			
GRI 305-1	Direct (Scope 1) GHG emissions*	Group Information / Key Sustainability Performance Indicators; 5. Gazprom is a Responsible Natural Resource User / Climate Risk Management	23, 108–109
GRI 305-2	Energy indirect (Scope 2) GHG emissions	5. Gazprom is a Responsible Natural Resource User / Climate Risk Management. Additional information can be found in Gazprom's CDP reports: <a href="https://www.cdp.net/en/responses/7047">https://www.cdp.net/en/responses/7047</a>	121–123
GRI 305-5	Reduction of GHG emissions	5. Gazprom is a Responsible Natural Resource User / Climate Risk Management	123
GRI 305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	5. Gazprom is a Responsible Natural Resource User / Air, Water and Soil Protection	109

## Appendix 1. GRI Table

Indicator	About the indicator	Disclosure	Page
Effluents and waste			
GRI 306-1	Water discharge by quality and destination	See Water use and protection of water resources, PJSC Gazprom 2016 Environmental Report: <a href="http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf">http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf</a>	–
GRI 306-2	Waste by type and disposal method*	5. Gazprom is a Responsible Natural Resource User / Reduction in Production and Consumption Waste. See Production and consumption waste management, PJSC Gazprom 2016 Environmental Report: <a href="http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf">http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf</a>	111
GRI 306-3	Significant spills	No significant spills of oil and oil products exceeding 10 tonnes were detected at sites.	–
GRI OG6	Volume of flared and vented hydrocarbon	See Air protection and Utilization of associated petroleum gas, PJSC Gazprom 2016 Environmental Report: <a href="http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf">http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf</a>	–
GRI OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	See Production and consumption waste management, PJSC Gazprom 2016 Environmental Report: <a href="http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf">http://www.gazprom.com/f/posts/53/331565/gazprom-ecology-report-2016-en.pdf</a>	–
Environmental compliance			
GRI 307-1	Non-compliance with environmental laws and regulations	Appendix 2. Additional Information on the Group's Activities in 2012–16. There were no non-monetary sanctions in the reporting period.	145
GRI OG8	Benzene, lead and sulfur content in fuels	The entire range of high-octane gasoline and diesel fuels produced from crude conforms to the Euro-5 standard according to EN 228:2004 and EN 590:2009, respectively, which means that they contain no more than 10 milligrams of sulfur per kilogram, and no more than 1% of polycyclic aromatic hydrocarbons, and they do not contain lead.	–



Indicator	About the indicator	Disclosure	Page
<b>Employment</b>			
–	Programs and processes to ensure the availability of a skilled workforce	2. Gazprom is a Responsible Employer / Professional Development	69–71
–	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	3. Gazprom is Responsible for Safety / Occupational Health and Safety Management	80–85
GRI 401-1	New employee hires and employee turnover*	2. Gazprom is a Responsible Employer / HR Management	62–65
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees*	2. Gazprom is a Responsible Employer / Non-Financial Incentives and Social Partnership	66–67
<b>Labor/management relations</b>			
GRI 402-1	Minimum notice periods regarding operational changes	The Group fully complies with regulations governing notice periods for operational changes.	–
<b>Occupational health and safety</b>			
GRI 403-1	Workers representation in formal joint management — worker health and safety committees*	3. Gazprom is Responsible for Health and Safety / Occupational Health and Safety Management. Employees of almost all companies of the Group are represented by trade unions at joint health and safety committees.	78–81
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities*	3. Gazprom is Responsible for Health and Safety / Management of Occupational Health and Safety Compliance	82–84
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	Health and safety topics are covered by the 2016–18 General Collective Agreement concluded by Gazprom PJSC and its subsidiaries.	–
<b>Training and education</b>			
GRI 404-1	Average hours of training per year per employee*	2. Gazprom is a Responsible Employer / Professional Development	69
GRI 404-2	Programs for upgrading employee skills and transition assistance programs*	2. Gazprom is a Responsible Employer / Professional Development	69–71
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	The Gazprom Group has adopted an employee training and development system to regularly assess the performance of employees and identify skills and competencies gaps.	–

## Appendix 1. GRI Table

Indicator	About the indicator	Disclosure	Page
Diversity and equal opportunity			
GRI 405-1	Diversity of governance bodies and employees	2. Gazprom is a Responsible Employer / HR Management. Information on the gender and age of Gazprom PJSC governing bodies. The gender and age of Gazprom PJSC's Board of Directors as of 31 December 2016: Men — 100%; 30–50 years of age — 30%, Older than 50 years of age — 70%. The gender and age of Gazprom PJSC's Management Committee as of 31 December 2016: Men — 88%, Women — 12%; 30–50 years of age — 29%, Older than 50 years of age — 71%.	62–65
Non-discrimination			
GRI 406-1	Incidents of discrimination and corrective actions taken	The Group did not detect any incidents of discrimination in the reporting period.	–
Freedom of association and collective bargaining			
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No violations of workers' rights to freedom of association or collective bargaining were recorded by the Group in the reporting period.	–
Rights of indigenous peoples			
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No violations involving rights of indigenous peoples were recorded by the Group in the reporting period.	–
Upholding human rights			
GRI OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	4. Gazprom is Responsible for Local Communities / Development of Regions of Presence	90–91, 93–95
Local communities			
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No significant negative impact was recorded in the reporting period. 4. Gazprom is Responsible for Local Communities / Development of Regions of Presence	90–91, 93–94
GRI OG10	Number and description of significant disputes with local communities and indigenous peoples	No significant disputes with local communities or indigenous peoples were recorded in the reporting period.	–

Indicator	About the indicator	Disclosure	Page
Customer privacy			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints concerning breaches of customer privacy or losses of customer data were recorded in the reporting period.	–
Socioeconomic compliance			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	No such fines were imposed on the Group in the reporting period.	–

# Appendix 2.

## Additional Information on the Group's Activities in 2012–16

### Group Information

#### The Gazprom Group's risks

Risk	Causes	Risk management/control
Global economic risks	An unfavorable economic environment can slow the growth of energy demand and increase debt costs.	Gazprom PJSC is focused on diversifying its geographical footprint and supply chain and finding new applications for natural gas to drive revenues from energy sales. To boost its financial security, Gazprom PJSC optimizes its debt portfolio.
Risks associated with natural gas exports to Europe	The EU's natural gas market policy is aimed at diversifying the supply base and increasing gas quantities traded on exchanges, which can affect Gazprom, a key supplier of natural gas to EU member countries.	Long-term contracts enable Gazprom PJSC to safeguard supply security and flexibility. Gazprom Export LLC held a natural gas auction under a new EU sales mechanism in March and September 2016. To minimize the risk of a decrease in exports to the EU, there are also plans to develop infrastructure, as well as stimulate consumption and strengthen the Group's position in certain industry sectors that may buy more gas.
Risks associated with sanctions	Russia has been under US and EU sanctions over Ukraine since 2014. If the conflict continues, it is highly likely that the US and the EU will expand the list of sanctions and their duration.	Gazprom PJSC places a high priority on import substitution initiatives and other measures to strengthen its independence from import technologies in order to reduce its exposure to economic sanctions imposed on Russia.
Risks associated with natural gas transit	There is a disruption risk for shipments of transit gas going through post-Soviet states, in particular Ukraine, which may lead to violations by Gazprom of supply contract terms.	To reduce its dependence on transit markets, the Group strives to diversify export routes, increase natural gas storage in Europe, and drive LNG sales.
Risks associated with natural gas industry regulation in Russia	As a natural monopoly, Gazprom PJSC is subject to regulation under Federal Law No. 147-FZ of 17 August 1995, On Natural Monopolies. The Government owns more than 50% in Gazprom PJSC.	There is broad cooperation in improving pricing and tariff policies and natural gas industry taxation rules, and work is performed to prepare reliable materials for the Gazprom PJSC Board of Directors to make informed decisions.

## The Gazprom Group's risks (continued)

Risk	Causes	Risk management/control
Risks associated with the growth of unconventional gas	<p>The development of natural gas from unconventional reservoirs, primarily shale deposits in the US and elsewhere in the world, has been on an increase in the last decade.</p> <p>The trend has significantly influenced the structure of gas supply sources and consumption in the US, giving a boost to new projects to export LNG, with the first such project started in Q1 2016.</p> <p>Some South American and Southeast Asian countries, as well as one European country, the UK, demonstrate continued interest in unconventional gas development, but the risk that they will become less dependent on gas imports in the medium run is estimated as insignificant.</p>	<p>Gazprom PJSC tracks trends in the development of shale gas and other unconventional hydrocarbons globally. The Gazprom PJSC Board of Directors regularly reviews monitoring reports, including the financial performance of unconventional gas producers and their potential competitive advantages on the Company's current and potential target markets, in order to adjust marketing policy across regions depending on available gas sale mechanisms.</p>
Risks associated with renewable energy growth	<p>Renewable energy consumption is expected to increase in some countries, which will lower their demand for natural gas.</p>	<p>Gazprom PJSC believes that the economic, technological and environmental benefits that natural gas-fired electricity generation offers to consumers will allow natural gas to remain an attractive energy source. Power generation from renewable energy sources is in most cases an additional source of energy and can give rise to certain risks for the natural gas market if countries and/or supranational bodies continue to aggressively subsidize renewable energy projects.</p>
Risks associated with changes in currency or tax regulation in Russia	<p>There are risks of changes to Russia's currency and tax regulation, as well as the risk of an increase in the tax burden on the energy sector. Changes to currency and tax regulations in Russia and tax regulations in regions of presence may have an impact on operations of Gazprom PJSC and its subsidiaries.</p>	<p>Gazprom keeps a close watch on currency and tax law developments to comply with them in full. The Company closely cooperates with government bodies to promptly adjust its operations in accordance with legislative amendments in Russia and foreign jurisdictions.</p>
Risks associated with changes in customs regulations in Russia	<p>The Group may face additional compliance requirements if customs clearance and export duty regulations change.</p>	<p>Gazprom PJSC is fully in compliance with Russia's customs regulations.</p>
Risks of exchange rate, interest and inflation volatility	<p>Significant exchange rate volatility has an impact on Gazprom PJSC's operating results, given the denomination of income and expenses in different currencies.</p>	<p>The Group hedges exchange rate and interest rate risks to minimize losses from exchange rate volatility.</p>



### The Gazprom Group's risks (continued)

Risk	Causes	Risk management/control
Credit risks arising from relations with banks and other financial institutions and liquidity risks	A failure by banks to fulfill their obligations in full or in part in a timely manner in accordance with agreements (contracts) may have a negative impact on Gazprom PJSC's financial solvency and liquidity.	Credit risk is managed through limits that are updated regularly, adjusted for credit scores calculated by Gazprom PJSC and subsidiaries. Contractual performance is closely monitored.
Credit risks in relations with counterparties	A failure by counterparties to fulfill their obligations in full or in part in a timely manner in accordance with agreements (contracts) may give rise to losses.	Gazprom PJSC and subsidiaries regularly assess and monitor the creditworthiness of counterparties, assigning them credit ratings for internal use. Such information is used for determining payment terms.
Market risks	If oil prices and natural gas price quotes fall further or remain at the current level for a long time, the Group's profits may drop. There is also a risk of demand reduction as customers have some flexibility in choosing gas suppliers.	This risk is managed by adjusting contract terms and conditions and entering into new contracts aligned with the market environment, identifying permissible transactions and financial instruments, and listing potential counterparties for such transactions.
Risks of early termination and suspension of exploration and development licenses	In the event of a failure to comply with licensing terms, Gazprom PJSC may face the early termination or suspension of licenses for prospecting, exploration and development projects.	Regular monitoring, management of compliance with licensing terms and the timely introduction of changes to license agreements allow the Group to minimize their early termination and suspension risks.
Cost risks	An increase in the cost of equipment, devices, components, or work and services required for capital construction, may affect the Group's investment activity.	Awarding contracts on a competitive basis allows the Group to manage the cost of raw materials, components and services by choosing the lowest price and good quality.
Risks associated with inaccurate evaluation of hydrocarbon reserves	Many strategic and financial performance objectives of Gazprom PJSC depend on the amount of available hydrocarbon reserves, with their inaccurate evaluation posing risks for Gazprom PJSC's operations.	The Group has developed and implemented procedures for the independent evaluation of reserves in accordance with the Petroleum Resources Management System (PRMS). Following their evaluation in accordance with Russia's classification of reserves, the reserves may be recorded on the balance sheet only upon approval by Russia's State Commission on Natural Resources, which reviews such applications annually.

## The Gazprom Group's sustainability risks

Risk	Causes	Risk management/control
Environmental contamination risks	The Group's primary activities, including the development, transportation, processing and storage of hydrocarbons, entail environmental contamination risks whose occurrence may lead to legal, financial or reputational penalties.	The Group pursues an environmental policy, runs environmental impact minimization programs and initiatives, implements environmental protection projects, insures environmental risks, and introduces sustainable technologies. Most subsidiaries have implemented environmental management systems accredited to ISO 14001:2004, which are continuously improved.
Climate risks	The climate in the Group's key regions of presence has a significant impact on its operating performance. Gazprom primarily produces natural gas in West Siberia, known for its extremely low temperatures, which adds challenges to development projects and drives their costs.	The Gazprom Group works hard to develop and introduce technologies for harsh weather conditions and runs programs to improve the efficiency of development, transportation and gas network management processes. Gazprom takes an active part in the design and implementation of government programs to enhance energy sustainability in Russia. Temperature fluctuations in Europe in the winter have not had a significant impact on quantities of natural gas supplied by the Gazprom Group for several years, as colder winters compensate for lower demand in warmer winters.
Risks associated with the operation of production sites	The Group's primary activities, including the development, transportation, processing and storage of hydrocarbons, entail third-party risks, including risks arising from negative actions by employees, as well as technological, technical and climate risks.	The Group runs a unified gas network, which allows it to ensure supply security. Innovative diagnostics solutions, timely major repairs and maintenance, as well as upgrade and renovation projects, help keep the network stable. A strong focus is placed on property insurance at subsidiaries, such as insurance against damage to property (including offshore assets), insurance against disruptions in operations of gas processing plants, and liability insurance for the construction, repair and maintenance of production assets.

## Gazprom is a Responsible Energy Supplier

### Gazprom Group's contribution to Russia's national economy, 2012–16

Indicator	2012	2013	2014	2015	2016
Russia's GDP, RUB billion	66,927	71,017	79,200	83,233	86,044
Total value added, RUB billion	2,780	3,254	3,221	3,356	3,077
Share in Russia's GDP, %	4.2	4.6	4.1	4.0	3.6
Capital expenditures in Russia, RUB billion	12,586	13,450	13,903	13,897	14,640
Gazprom's capital expenditures, RUB billion	1,349	1,397	1,262	1,641	1,369
Share in Russia's total capital expenditures, %	10.7	10.4	9.1	11.8	9.4
Taxes and other duties paid into Russia's budgets at all levels, including	1,951	1,821	2,063	1,947	1,966
Customs duty, RUB billion	684	745	804	694	618
MET, RUB billion	447	503	561	599	602
Income tax, RUB billion	286	199	213	105	96
Property tax, RUB billion	54	73	86	110	120
Nominal value of dividends per share, RUB	8.97	5.99	7.2	7.2	7.89
Dividends on state-owned stock, RUB billion*	106	71	86	86	94
Gazprom's total payments to Russia's budgets at all levels, RUB billion	2,057	1,891	2,148	2,032	2,060
Russia's oil and gas tax revenues, RUB billion	6,453	6,534	7,434	5,863	4,844
Russia's consolidated budget revenues, RUB billion	23,435	24,443	26,766	26,922	28,182
Share in Russia's oil and gas tax revenues, RUB billion	1,131	1,248	1,365	1,293	1,220
Share in Russia's oil and gas tax revenues, %	17.5	19.1	18.4	22.1	25.2
Share in Russia's consolidated budget revenues, %	8.8	7.7	8.0	7.5	7.3

\* State or state-controlled legal entities share in Gazprom PJSC dividends.

**Direct economic value generated and distributed in 2012–16, RUB billion**

Indicator	2012	2013	2014	2015	2016
Direct economic value generated					
Sales revenue	4,766,495	5,249,965	5,589,811	6,073,318	6,111,051
Net income (loss) from trading operations without actual delivery	2,821	5,850	(22,510)	3,704	3,382
Financial income (interest income)	26,626	33,398	66,983	112,165	93,494
Share of net profit of associates and joint ventures	145,192	56,670	46,051	106,560	82,872
Profit (loss) from disposal of available-for-sale financial assets	546	(3,212)	(915)	9,121	1,059
Total direct economic value generated	4,941,680	5,342,671	5,679,420	6,304,868	6,291,858
Direct economic value distributed					
Operating expenses (excluding impairment and other allowances, amortization and translation differences), including	3,062,010	3,226,939	3,714,956	4,145,883	4,620,539
payroll	409,807	497,852	516,778	590,981	641,036
including post-employment benefits	25,844	57,815	31,317	35,557	50,961
taxes other than income tax	625,313	706,667	775,826	805,132	900,397
other operating expenses	2,026,890	2,022,420	2,422,352	2,749,770	3,079,106
Financial expenses (interest expense)	37,022	42,768	44,749	66,857	71,556
Current income tax expense	280,070	201,872	121,343	102,223	218,113
Dividend payments to shareholders	209,189	148,183	176,691	171,621	186,099
Total direct economic value distributed	3,588,291	3,619,762	4,057,739	4 486 584	5,096,307
Economic value retained	1,353,389	1,722,909	1,621,681	1,818,284	1,195,551

## Appendix 2. Additional Information on the Group's Activities in 2012–16

### LNG exports in 2012–16, mmt

Country	2012	2013	2014	2015	2016
Argentina	—	11,857,948	41,106,666	16,178,574	19,703,171
China	19,674,917	—	6,633,380	6,604,157	3,374,830
Egypt	—	—	—	3,417,600	3,415,673
India	14,952,061	6,061,840	—	18,670,569	22,742,199
Japan	18,386,878	28,957,880	49,164,207	78,072,387	78,549,220
Kuwait	—	—	2,953,290	3,302,940	3,290,560
Malaysia	—	—	6,513,303	—	—
Mexico	—	—	—	—	6,519,570
South Korea	9,383,613	25,230,593	36,193,511	26,480,466	3,324,750
Taiwan (China)	6,258,140	—	—	9,882,660	26,006,510
Thailand	—	—	—	—	—
UAE	—	—	—	—	6,532,551
United Kingdom	—	—	—	—	—
FOB shipments	—	—	17,082,562	6,998,912	3,015,033
Total	68,655,609	72,108,261	159,646,919	169,608,265	176,474,067
including sales of Sakhalin II LNG	29,575,454	29,726,254	53,075,050	86,049,604	59,443,050

### Gazprom PJSC's shareholding structure, %

Shareholder	As of 31 December 2015	As of 31 December 2016
Russian Federation as represented by the Federal Agency for State Property Management	38.37	38.37
Rosneftegaz JSC	10.97	10.97
Rosgazifikatsiya OJSC	0.89	0.89
ADR holders	27.83	26.86
Other registered persons	21.94	22.91



## Gazprom is a Responsible Employer

### Number of Gazprom Group employees by age in 2016, thousand people

Entity	Under 30 years of age	30–50 years of age	Over 50 years of age	Including	
				Women over 55 years of age	Men over 60 years of age
Gazprom PJSC	2.5	17.4	5.6	0.2	0.2
Subsidiaries engaged in natural gas development, transportation, processing and underground storage	38.5	140.9	58.0	2.4	2.1
Other subsidiaries and entities	37.8	114.2	52.5	7.6	7.6
Total	78.8	272.5	116.1	10.2	9.9

### Number of Gazprom Group employees who completed training or retraining in 2012–16, thousand people

Indicator	2012	2013	2014	2015	2016
Managers, specialists and other employees who completed further professional training	87.1	106.0	128.5	142.6	161.2
Workers who completed professional training	91.8	155.8	136.6	151.5	176.3

### Specialized departments opened in Russian universities with support from the Gazprom Group

No.	Higher education institution	Specialized department	Entity
1	Saint Petersburg State University of Economics	Gazprom PJSC Specialized Department	Gazprom PJSC
2	State University of Management	Branch of the Energy Industry Economics and Management Department	Nilgazeconomika LLC
3	Kazan National Research Technological University	Main Pipeline Transport and Gas Compressors	Gazprom Transgaz Moscow LLC
4	Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs	Economy and Banking Business	Gazprombank JSC
5	Rostislav Alexeyev Nizhny Novgorod State Technical University	Oil and Gas Pipelines and Storage Facilities — Engineering and Operation	Giprogahtsentr JSC
6	Omsk State Technical University	Gazprom Neft Specialized Department	Gazprom Neft PJSC

**Specialized departments opened in Russian universities with support from the Gazprom Group (continued)**

No.	Higher education institution	Specialized department	Entity
7	Gubkin Russian State University of Oil and Gas	Gas Technologies and Underground Storage	Gazprom VNIIGAZ LLC
		Oil and Gas Formation Surveying	Gazprom VNIIGAZ LLC
		Gas Industry Fundamentals	Gazprom VNIIGAZ LLC
		Development of Offshore Deposits	Gazprom VNIIGAZ LLC
		Geology of Hydrocarbon Systems	Gazprom Neft PJSC
		Enhanced Oil Recovery Technology for Difficult Fields	Gazprom Neft PJSC
8	Samara State Technical University	Gas Transport	Gazprom Transgaz Samara LLC
9	Peter the Great St. Petersburg Polytechnic University	Gas turbines for gas compressor stations	Gazprom Transgaz St. Petersburg LLC
10	North-Caucasus Federal University	Mathematical Modeling in Economics and Oil and Gas Innovation Management	SevKavNIIgaz OJSC
11	First Russian President Boris Yeltsin Ural Federal University	Energy	Gazprom Transgaz Yugorsk LLC
12	Ufa State Aviation Technical University	Gas Transport	Gazprom Transgaz Ufa LLC
		Oil and Gas Transport and Storage	Gazprom Transgaz Ufa LLC
		Chemical and Technical Processes	Gazprom Pererabotka LLC
		Electric Equipment and Oil and Gas Development Automation	Gazprom Pererabotka LLC
		Business Process Automation	Gazprom Pererabotka LLC
13	Ukhta State Technical University	Engineering and Operation of Main Oil and Gas Pipelines	Gazprom VNIIGAZ LLC
		Oil and Gas Geology	Gazprom VNIIGAZ LLC
		Geophysical Methods and Geoinformation Technologies	Gazprom VNIIGAZ LLC
		Development and Operation of Oil and Gas Fields and Underground Hydromechanics	Gazprom VNIIGAZ LLC
		Energy Industry Management	Gazprom VNIIGAZ LLC

## Gazprom is Responsible for Health and Safety

### Gazprom Group expenditures in 2012–16, RUB million

Indicator	2012	2013	2014	2015	2016
Entities within the scope of the Unified Occupational Health and Safety Management System					
Occupational health and safety	9,049	9,743	10,337	11,062	10,819
Industrial safety	3,743	4,512	3,248	4,977	7,113
Gazprom Neft Group					
Occupational health and safety	645	661	751	905	1,291
Industrial safety	664	1,071	2,580	4,559	5,868
Gazprom Energoholding					
Occupational health and safety	1,008	1,169	1,103	1,285	1,438
Industrial safety	809	535	415	373	522

### Number of industrial accidents and incidents at the Gazprom Group in 2012–16

Indicator	2012	2013	2014	2015	2016
Entities within the scope of the Unified Occupational Health and Safety Management System					
Accidents	17	10	8	12	10
Incidents	59	69	53	42	30
Gazprom Neft Group					
Accidents	1	0	0	1	2
Incidents	3,601	3,542	3,387	2,512	2,385
Gazprom Energoholding					
Accidents	1	0	1	0	1
Incidents	194	214	223	196	176

**Work-related injuries and occupational diseases in the Gazprom Group in 2012–16**

Ratio	2012	2013	2014	2015	2016
Fatal Injury Frequency Rate (FIFR) (the number of fatal injuries / the total number of man-hours worked × 1,000,000)					
Entities within the scope of the Unified Occupational Health and Safety Management System	0.0290	0.0064	0.0357	0.0119	0.0080
Gazprom Neft Group	0.039	0.013	0.023	0.021	0.031
Gazprom Energoholding	0.025	–	0.028	–	0.020
Lost Time Injury Frequency Rate (LTIFR) (the number of lost time injuries / the total hours worked in accounting period × 1,000,000)					
Entities within the scope of the Unified Occupational Health and Safety Management System	0.33	0.23	0.18	0.18	0.16
Gazprom Neft Group	0.66	0.45	0.53	0.47	0.40
Gazprom Energoholding	0.24	0.24	0.21	0.20	0.30
Occupational Diseases Rate (ODR) (the number of newly diagnosed occupational diseases / the total number of man-hours worked × 1,000,000)					
Entities within the scope of the Unified Occupational Health and Safety Management System	0.076	0.060	0.086	0.032	0.060
Gazprom Neft Group	0	0.027	0.012	0	0.031
Gazprom Energoholding	0	0	0.014	0	0.016
Lost Day Rate (LDR) (the number of lost work days / the total number of man-hours worked × 1,000,000)					
Entities within the scope of the Unified Occupational Health and Safety Management System	7.24	5.62	3.41	11.08	12.51
Gazprom Neft Group	21.1	9.9	12.0	2.1	5.3
Gazprom Energoholding	–	14.5	9.7	10.0	21.0

## Gazprom is a Responsible Natural Resource User

### Charges for negative environmental impact and fines imposed on the Gazprom Group in 2012–16

Indicator	2012	2013	2014	2015	2016
Negative impact charges, RUB billion	1.56	2.95	1.75	1.79	0.82
Fines, RUB million	6.00	7.80	17.68	21.42	23.68

### Size of disturbed and restored land (including contaminated land) in 2012–16, hectares

Indicator	2012	2013	2014	2015	2016
Land disturbed during the year	14,402	13,065	15,407	58,055	27,027
including contaminated land	238	1,019	105	82	71
Disturbed land restored	9,717	13,977	12,589	18,220	42,450
including contaminated land	278	839	464	187	94

### Cooperation between the Gazprom Group and stakeholders in EIA procedures

Date and venue	Gazprom project	Event	Group entity
1 March 2016 Mys Kamenny, Antipayuta, Yamalo-Nenetsky Autonomous District; 3 March 2016 Nadym, Yamalo-Nenetsky Autonomous District	Infrastructure Development — Kamennomysskoye-More Gas Field	Public hearing on the Offshore Engineering Surveying Program for the Infrastructure Development — Kamennomysskoye-More Gas Field Project	Krasnoyarskgazprom Neftegaz LLC
13 July 2016 Nogliki, Sakhalin Region	Construction of Gas Condensate Development Wells Nos. SK1, SK2, SK4, SK5, SK6 and SK7 — Yuzhno-Kirinskoye Field	Public hearing on project documentation for the construction of gas condensate development wells Nos. SK1, SK2, SK4, SK5, SK6 and SK7 at the Yuzhno-Kirinskoye field and the Oil Spill Prevention and Response Plan for construction work	Krasnoyarskgazprom Neftegaz LLC
8 August 2016 Kazachinskoye, Irkutsk Region	Construction of Exploration Wells Nos. 11, 12, 13 and 14 — Khandinskaya Block	Public hearing on project documentation for the construction of exploration wells Nos. 11, 12, 13 and 14 at the Khandinskaya block	Krasnoyarskgazprom Neftegaz LLC
23 September 2016 Kazachinko-Lenski and Zhigalovsky Districts, Irkutsk Region	Construction of Exploration Wells Nos. 15, 16, 17, 21 and 24 — Khandinskaya Block	Public hearing on project documentation for the construction of exploration wells Nos. 15, 16, 17, 21 and 24 at the Khandinskaya block	Krasnoyarskgazprom Neftegaz LLC



**Cooperation between the Gazprom Group and stakeholders in EIA procedures (continued)**

Date and venue	Gazprom project	Event	Group entity
5 October 2016 Yar-Sale, Yamalo-Nenetsky Autonomous District	Construction of Development Wells and Drilling Waste Injection Wells — Kharasavey Gas Condensate Field	Public hearing on project documentation for the construction of development wells and drilling waste injection wells at the Kharasavey gas condensate field	Krasnoyarskgazprom Neftegaz LLC
15 November 2016 Yugra, Khanty-Mansiysk, Khanty-Mansi Autonomous District	Operations of Gazprom Neft PJSC in 2016	Public hearing on the report “Operations of Gazprom Neft's Companies and Sustainable Development of Regions of Presence”	Gazprom Neft PJSC
18 November 2016 Yar-Sale, Yamalo-Nenetsky Autonomous District	Construction of Exploration Well No. 3 — Leningradskoye Gas Condensate Field	Public hearing on project documentation for the construction of exploration well No. 3 at the Leningradskoye gas condensate field	Krasnoyarskgazprom Neftegaz LLC
24 November 2016 Nogliki, Sakhalin Region	Construction of Prospecting and Appraisal Well No. 1 — Vostochnaya Block, Semi-Submersible Floating Drilling Rig (incl. EIA materials)	Public hearing on project documentation for the construction of prospecting and appraisal well No. 1 at the Vostochnaya and Ayashskaya blocks	Krasnoyarskgazprom Neftegaz LLC
5 December 2016 Lensk, Sakha (Yakutia) Republic	Construction of an Environmentally Safe Sewage Thermal Treatment System	Public hearing on project documentation presented by TyumenNIIgiprogaz LLC of Gazprom PJSC for the preparation of design documentation for the construction of a sewage thermal treatment system	TyumenNIIgiprogaz, Gazprom PJSC
15 November 2016 Yar-Sale, Yamalo-Nenetsky Autonomous District	Exploration Drilling — Kharasavey Gas Condensate Field (incl. EIA materials)	Public hearing on project documentation for the construction of exploration wells and drilling waste injection wells at the Kharasavey gas condensate field	Krasnoyarskgazprom Neftegaz LLC

# Appendix 3.

## Glossary of Abbreviations and Code Names

### Used in the Report

Terms and abbreviations	Description
ACER	Agency for the Cooperation of Energy Regulators
Baltic states	Estonia, Latvia and Lithuania
BAT	Best available techniques
bcm	Billion cubic meters
CCPTS	Continuing Corporate Professional Training System
CDP	Carbon Disclosure Project
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CO <sub>2</sub>	Carbon dioxide
Company	Gazprom PJSC
CNG	Compressed natural gas
EASEE-gas	European Association for the Streamlining of Energy Exchange — gas
ECHA	European Chemicals Agency
EIA	Environmental Impact Assessment
EIL	Energy Intensity Index
EMS	Environmental Management System
ENGVA	European Natural Gas Vehicle Association
EU	European Union
FIFA	Fédération Internationale de Football Association
FEED	Front-end engineering design
FSU	Former Soviet Union states
Gazprom Group	The group of companies that consists of Gazprom PJSC, the parent company, and its subsidiaries
Gazprom PJSC and its main subsidiaries	Gazprom PJSC and its subsidiaries engaged in natural gas development, transportation, processing and underground storage: Gazprom Dobycha Yamburg LLC, Gazprom Dobycha Urengoy LLC, Gazprom Dobycha Nadym LLC, Gazprom Dobycha Noyabrsk LLC, Gazprom Dobycha Orenburg LLC, Gazprom Dobycha Astrakhan LLC, Gazprom Pererabotka LLC, Gazprom Dobycha Krasnodar LLC, Gazprom Dobycha Kuznetsk LLC, Gazprom Transgaz Ukhta LLC, Gazprom Transgaz Surgut LLC, Gazprom Transgaz Yugorsk LLC, Gazprom Transgaz St. Petersburg LLC, Gazprom Transgaz Moscow LLC, Gazprom Transgaz Tomsk LLC, Gazprom Transgaz Tchaikovsky LLC, Gazprom Transgaz Yekaterinburg LLC, Gazprom Transgaz Stavropol LLC, Gazprom Transgaz Makhachkala LLC, Gazprom Transgaz Nizhny Novgorod LLC, Gazprom Transgaz Saratov LLC, Gazprom Transgaz Volgograd LLC, Gazprom Transgaz Samara LLC, Gazprom Transgaz Ufa LLC, Gazprom Transgaz Kazan LLC, Gazprom Transgaz Krasnodar LLC, Gazprom Transgaz Belarus OJSC, Gazprom PKhG LLC, as well as Vostokgazprom OJSC and its subsidiaries, Gazprom Neft Orenburg CLSC (until its inclusion in the Gazprom Neft Group in October 2011), Gazprom Dobycha Shelf Yuzhno-Sakhalinsk LLC, Gazprom Neft Shelf LLC (until its inclusion in the Gazprom Group in May 2014) and Kamchatgazprom OJSC

### Appendix 3. Glossary of Abbreviations and Code Names Used in the Report

Terms and abbreviations	Description
Gazprom Energoholding	Gazprom Energoholding LLC and companies under its management, including Mosenergo PJSC, United Moscow Energy Company PJSC, TGK-1 PJSC and OGK-2 PJSC
Gazprom Neft Group, Gazprom Neft	Gazprom Neft PJSC and its subsidiaries
Gcal	Gigacalories
GDP	Gross Domestic Product
GGC	Global Gas Center
GRI	Global Reporting Initiative
Group	Gazprom Group
GW	Gigawatts
IBC	International Business Congress
IFA	International Fertilizer Industry Association
IFRS	International Financial Reporting Standards
IGU	International Gas Union
IPO	Initial public offering
IUCN	International Union for Conservation of Nature
JSC	Joint-stock company
KIMS	Knowledge and Innovation Management System
kWh	Kilowatt hour
LLC	Limited liability company
LNG	Liquefied natural gas
MET	Mineral Extraction Tax
mboe	Million barrels of oil equivalent
mcm	Million cubic meters
mmt	Million metric tonnes
MW	Megawatts
NGV fuel	Natural gas as a vehicle fuel
NPS	Net Promoter Score
OHS	Occupational health and safety
OHSAS	Occupational Health and Safety Assessment Series
OJSC	Open joint-stock company
PGC	Professional Growth Center
PJSC	Public joint-stock company
R&D	Research and development activities
REMIT	EU Regulation on Wholesale Energy Market Integrity and Transparency
Report	Gazprom Group's Sustainability Report 2016

Terms and abbreviations	Description
RUB	Russian ruble
SMEs	Small and medium-sized enterprises
STI	Strategic target indicators
Tonne of coal equivalent	Equal to 877 square meters of natural gas or 0.7 tonne of oil and gas condensate
UEFA	Union of European Football Associations
UGSS	Unified Gas Supply System
UNFCCC	UN Framework Convention on Climate Change
US	United States of America
USD	US dollar
VAT	Value-Added Tax
WWF	World Wildlife Fund
y-o-y	Year-on-year

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# Contacts and Feedback

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Should you have any questions regarding Gazprom PJSC's 2016 Sustainability Report please contact the Gazprom PJSC Department responsible for the unified information policy.

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